



Financial Statements
September 30, 2012

Minnesota Chippewa Tribe

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Independent Auditor's Report

To the Tribal Executive Committee
Minnesota Chippewa Tribe
Cass Lake, Minnesota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Minnesota Chippewa Tribe, Cass Lake, Minnesota, as of and for the year ended September 30, 2012, which collectively comprise the Tribe's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Tribe's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the Minnesota Chippewa Tribe as of September 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2013, on our considerations of the Minnesota Chippewa Tribe's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide and opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Minnesota Chippewa Tribe's financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Management has omitted a management's discussion and analysis and budgetary comparison schedules that U.S. generally accepted accounting principles requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for place the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Fargo, North Dakota
June 27, 2013

Minnesota Chippewa Tribe
Statement of Net Assets
September 30, 2012

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 845,349	\$ 3,749,517	\$ 4,594,866
Investments	517,400	6,079,990	6,597,390
Internal balances	18,662	(18,662)	-
Account receivable, net	200,332	313,409	513,741
Loans receivable, net	-	33,977,259	33,977,259
Grant receivable	490,085	-	490,085
Other receivables and accrued interest	37,154	131,972	169,126
Prepaid items	50,799	534	51,333
Other assets, net	-	3,124,967	3,124,967
Capital assets			
Not being depreciated	1,193,542	5,710	1,199,252
Being depreciated, net of depreciation	941,192	1,270,579	2,211,771
Total assets	<u>\$ 4,294,515</u>	<u>\$ 48,635,275</u>	<u>\$ 52,929,790</u>
Liabilities			
Accounts payable	\$ 825,463	\$ 47,372	\$ 872,835
Accrued liabilities	22,779	26,277	49,056
Unearned revenue	1,325,892	362,609	1,688,501
Noncurrent liabilities			
Due within one year	115,088	-	115,088
Due in more than one year	-	34,981,245	34,981,245
Total liabilities	<u>2,289,222</u>	<u>35,417,503</u>	<u>37,706,725</u>
Net Assets			
Invested in capital assets	2,134,734	1,276,289	3,411,023
Restricted for grants	235,310	-	235,310
Unrestricted	(364,751)	11,941,483	11,576,732
Total net assets	<u>2,005,293</u>	<u>13,217,772</u>	<u>15,223,065</u>
Total liabilities and net assets	<u>\$ 4,294,515</u>	<u>\$ 48,635,275</u>	<u>\$ 52,929,790</u>

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Primary government			
Governmental activities:			
General government	\$ 1,289,461	\$ 1,156,831	\$ 128,846
Education	225,979	-	225,965
Human services	2,292,074	-	2,271,074
Conservation of natural resources	424,906	-	430,565
Economic development	142,437	-	128,215
Other	401,005	-	201,567
Total governmental activities	<u>4,775,862</u>	<u>1,156,831</u>	<u>3,386,232</u>
Business-type activities:			
Finance Corporation	<u>1,241,768</u>	<u>1,354,336</u>	<u>-</u>
Total business-type activities	<u>1,241,768</u>	<u>1,354,336</u>	<u>-</u>
Total primary government	<u>\$ 6,017,630</u>	<u>\$ 2,511,167</u>	<u>\$ 3,386,232</u>
Change in net assets			
Net assets - beginning			
Net assets - ending			

The accompanying Notes to Financial Statements are an integral part of these statements

Minnesota Chippewa Tribe
Statement of Activities
Year Ended September 30, 2012

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (3,784)	\$ -	\$ (3,784)
(14)	-	(14)
(21,000)	-	(21,000)
5,659	-	5,659
(14,222)	-	(14,222)
(199,438)	-	(199,438)
(232,799)	-	(232,799)
-	112,568	112,568
-	112,568	112,568
(232,799)	112,568	(120,231)
(232,799)	112,568	(120,231)
2,238,092	13,105,204	15,343,296
\$ 2,005,293	\$ 13,217,772	\$ 15,223,065

Minnesota Chippewa Tribe
Balance Sheet – Governmental Funds
September 30, 2012

	General Fund	Department of Interior	Department of Health and Human Services	Food Stamp Nutrition Education	Claims Case	Other Governmental Funds	Total Governmental Funds
Assets							
Cash	\$ 1,506,086	\$ 253,211	\$ 86,940	\$ -	\$ -	\$ 288,334	\$ 2,134,571
Investments	517,400	-	-	-	-	-	517,400
Accounts receivable	13,710	-	164,504	-	-	7,751	185,965
Grant receivable	-	-	296,109	193,976	-	-	490,085
Due from other funds	426,571	-	-	-	-	-	426,571
Other receivables	-	-	-	-	-	37,154	37,154
Prepaid items	-	3,036	6,699	-	-	-	9,735
Total assets	\$ 2,463,767	\$ 256,247	\$ 554,252	\$ 193,976	\$ -	\$ 333,239	\$ 3,801,481
Liabilities and Fund Balance							
Liabilities							
Checks in excess of bank balance	\$ -	\$ -	\$ 328,789	\$ 66,241	\$ 609,430	\$ 15,071	\$ 1,019,531
Due to other funds	-	-	-	-	426,571	-	426,571
Accounts payable	6,153	3,953	109,782	123,087	490,618	22,694	756,287
Accrued liabilities	-	-	-	4,648	-	-	4,648
Deferred revenue	837,306	252,294	115,681	-	-	120,611	1,325,892
Total liabilities	843,459	256,247	554,252	193,976	1,526,619	158,376	3,532,929
Fund Balance (Deficit)							
Nonspendable							
For prepaid items	-	3,036	6,699	-	-	-	9,735
Restricted							
For grants	-	-	-	-	-	235,310	235,310
Unassigned	1,620,308	(3,036)	(6,699)	-	(1,526,619)	(60,447)	23,507
Total fund balance (deficit)	1,620,308	-	-	-	(1,526,619)	174,863	268,552
Total liabilities and fund balance	\$ 2,463,767	\$ 256,247	\$ 554,252	\$ 193,976	\$ -	\$ 333,239	\$ 3,801,481

The accompanying Notes to Financial Statements are an integral part of these statements

Minnesota Chippewa Tribe
Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Assets
September 30, 2012

Total Funds Balances - Governmental Funds	\$ 268,552
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	2,121,325
Internal service funds are used by the Tribe to charge costs of certain activities. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	<u>(384,584)</u>
Total Net Assets - Governmental Activities	<u><u>\$ 2,005,293</u></u>

Minnesota Chippewa Tribe
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
Year Ended September 30, 2012

	General Fund	Department of Interior	Department of Health and Human Services	Food Stamp Nutrition Education	Claims Case	Other Governmental Funds	Total Governmental Funds
Revenues							
Intergovernmental - federal	\$ -	\$ 964,726	\$ 1,558,610	\$ 575,930	\$ -	\$ 410,264	\$ 3,509,530
Program income	-	-	-	-	-	5,390	5,390
Tribal contributions	132,204	-	-	-	-	-	132,204
Investment income	10,836	-	-	-	702,350	-	713,186
Liquor permits	23,900	-	-	-	-	-	23,900
Contract	-	83,732	-	-	-	-	83,732
Other	41,531	-	3,050	-	-	205,029	249,610
Total revenues	<u>208,471</u>	<u>1,048,458</u>	<u>1,561,660</u>	<u>575,930</u>	<u>702,350</u>	<u>620,683</u>	<u>4,717,552</u>
Expenditures							
Personnel	20,743	527,038	465,548	90,401	-	130,815	1,234,545
Fringe benefits	590	226,635	166,524	33,162	-	33,963	460,874
Travel/training	52,139	29,335	77,881	33,040	6,784	39,817	238,996
Office expense	4,631	24,465	51,169	49,060	-	18,709	148,034
Pass-through funds	-	-	365,757	323,343	-	328,715	1,017,815
Office and equipment rental	2,229	28,559	69,848	6,525	-	4,362	111,523
Other contracts	-	3	-	-	-	-	3
Other expenditures	664,762	107,648	199,163	70	44,724	197,366	1,213,733
Total direct expenditures	745,094	943,683	1,395,890	535,601	51,508	753,747	4,425,523
Indirect costs	21,262	104,775	163,170	40,329	9,786	29,130	368,452
Total expenditures	<u>766,356</u>	<u>1,048,458</u>	<u>1,559,060</u>	<u>575,930</u>	<u>61,294</u>	<u>782,877</u>	<u>4,793,975</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(557,885)	-	2,600	-	641,056	(162,194)	(76,423)
Other Financing Sources (Uses)							
Gain on sale of capital asset	35,141	-	-	-	-	-	35,141
Transfer in (out)	(142,465)	-	-	-	-	142,465	-
Total other financing sources (uses)	<u>(107,324)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>142,465</u>	<u>35,141</u>
Net Change in Fund Balance	(665,209)	-	2,600	-	641,056	(19,729)	(41,282)
Fund Balance (Deficit), Beginning of Year	<u>2,285,517</u>	<u>-</u>	<u>(2,600)</u>	<u>-</u>	<u>(2,167,675)</u>	<u>194,592</u>	<u>309,834</u>
Fund Balance (Deficit), End of Year	<u>\$ 1,620,308</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,526,619)</u>	<u>\$ 174,863</u>	<u>\$ 268,552</u>

The accompanying Notes to Financial Statements are an integral part of these statements

Minnesota Chippewa Tribe
 Reconciliation of the Changes in Funds Balances of
 Governmental Funds to the Statement of Activities
 Year Ended September 30, 2012

Net Change in Funds Balances - Total Governmental Funds	\$ (41,282)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period these amounts are:</p>	
Capital outlay	10,920
Depreciation expense	(65,368)
The net effect of the disposal of capital assets is to decrease net assets	(7,678)
Internal service funds are used by the Tribe to charge the costs of certain activities. The net expenditures of the internal service funds is reported in governmental activities.	(129,391)
Change in Net Assets of Governmental Activities	\$ (232,799)

Minnesota Chippewa Tribe
Statement of Net Assets –
Proprietary Funds
September 30, 2012

	<u>Business-Type Activity - Enterprise Fund Finance Corporation</u>	<u>Governmental Activities - Internal Service Funds</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 3,749,517	\$ 106,231
Investments, current portion	2,641,650	-
Accounts receivable	313,409	14,367
Due from other funds	-	18,662
Prepaid expenses and other assets	534	41,064
Accrued interest receivable	131,972	-
Mortgage loans receivable, current portion	1,678,054	-
Business loans receivable, current portion	80,507	-
Installment loans receivable, current portion	20,061	-
Total current assets	<u>8,615,704</u>	<u>180,324</u>
Non-Current Assets		
Investments, net of current portion	3,438,340	-
Mortgage loans receivable, net of current portion and allowance	31,076,105	-
Business loans receivable, net of current portion and allowance	273,285	-
Installment loans receivable, net of current portion	849,247	-
Capital assets, net of accumulated depreciation		
Land	5,710	-
Building and equipment	1,270,579	13,409
Real estate acquired by foreclosures	3,124,967	-
Total non-current assets	<u>40,038,233</u>	<u>13,409</u>
Total assets	<u>\$ 48,653,937</u>	<u>\$ 193,733</u>
Liabilities and Net Assets		
Current Liabilities		
Checks written in excess of bank balance	\$ -	\$ 375,922
Accounts payable	47,372	69,176
Accrued liabilities	26,277	18,131
Unearned revenue	362,609	-
Due to other funds	18,662	-
Noncurrent liabilities		
Due within one year	-	115,088
Due in more than one year	34,981,245	-
Total liabilities	<u>35,436,165</u>	<u>578,317</u>
Net Assets (Deficit)		
Invested in capital assets	1,276,289	13,409
Unrestricted	11,941,483	(397,993)
Total net assets (deficit)	<u>13,217,772</u>	<u>(384,584)</u>
Total liabilities and net assets	<u>\$ 48,653,937</u>	<u>\$ 193,733</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

Minnesota Chippewa Tribe
Statement of Revenues, Expenses, and Changes in Net Assets –
Proprietary Funds
Year Ended September 30, 2012

	Business-Type Activity - Enterprise Fund Finance Corporation	Governmental Activities - Internal Service Funds
Revenue		
Housing revenue	\$ 1,929,832	\$ -
Indirect revenue	-	630,560
Rental revenue	-	28,750
Sales of business support services	-	31,545
Other revenue	-	499,609
	1,929,832	1,190,464
Total operating revenue	1,929,832	1,190,464
Less direct costs of revenue	684,763	-
Net revenue	1,245,069	1,190,464
Expenses		
Current		
Personnel	606,537	411,425
Fringe benefits	208,327	145,691
Depreciation	100,032	107,816
Travel/training	55,870	25,265
Office expenses	34,659	28,230
Office and equipment rent	-	35,518
Other expenditures	54,679	565,910
	1,060,104	1,319,855
Total direct expenses	1,060,104	1,319,855
Indirect costs	181,664	-
Total expenses	1,241,768	1,319,855
Income (loss) before nonoperating activity	3,301	(129,391)
Investment income	109,267	-
Change in Net Assets	112,568	(129,391)
Net Assets (Deficit), Beginning of Year	13,105,204	(255,193)
Net Assets (Deficit), End of Year	\$ 13,217,772	\$ (384,584)

The accompanying Notes to Financial Statements are an integral part of these statements.

Minnesota Chippewa Tribe
Statement of Cash Flows –
Proprietary Funds
Year Ended September 30, 2012

	Business-Type Activity - Enterprise Fund <u>Finance Corporation</u>	Governmental Activities - Internal Service Funds <u>Internal Service Funds</u>
Operating Activities		
Cash received from customers	\$ 1,831,482	\$ 1,181,412
Cash paid for wages and benefits	(813,369)	(566,343)
Cash paid to suppliers	<u>(1,123,544)</u>	<u>(744,430)</u>
Net Cash used for Operating Activities	<u>(105,431)</u>	<u>(129,361)</u>
Non-Capital Financing Activities		
Principal payments to Tribe	(750,266)	-
Decrease (increase) in due from other funds	-	531
Increase (decrease) in due to other funds	-	178,507
Transfer to other funds	<u>-</u>	<u>-</u>
Net Cash from (used for) Non-Capital Financing Activities	<u>(750,266)</u>	<u>179,038</u>
Capital and Related Financing Activities		
Principal payments to Federal Home Bank	(100,000)	-
Cash received from sale of repossessed property	432,363	-
Purchase of property and equipment	<u>(43,549)</u>	<u>-</u>
Net Cash from Capital and Related Financing Activities	<u>288,814</u>	<u>-</u>
Investing Activities		
Net cash received for investments	626,792	-
Investment income	120,665	-
Disbursement for loans	(819,152)	-
Proceeds from loan payments	<u>3,407,625</u>	<u>-</u>
Net Cash from Investing Activities	<u>3,335,930</u>	<u>-</u>
Net Change in Cash and Cash Equivalents	2,769,047	49,677
Cash and Cash Equivalents at Beginning of Year	<u>980,470</u>	<u>56,554</u>
Cash and Cash Equivalents at End of Year	<u>\$ 3,749,517</u>	<u>\$ 106,231</u>

Minnesota Chippewa Tribe
Statement of Cash Flows –
Proprietary Funds
Year Ended September 30, 2012

	Business-Type Activity - Enterprise Fund <u>Finance Corporation</u>	Governmental Activities - Internal Service Funds
Reconciliation of Operating Income (loss) to Net Cash used for Operating Activities		
Change in net assets	\$ 3,301	\$ (129,391)
Adjustments to reconcile increase in net assets to cash used for operating activities		
Depreciation	100,032	8,398
Decline on investments	(11,398)	-
Loss on sale of land/houses	(23,848)	-
Changes in assets and liabilities		
Accounts receivables	(53,903)	(10,280)
Installment loans receivable	44,985	-
Accrued interest receivable	(32,604)	-
Prepaid expenses and other assets	(280)	10,207
Accounts payables	(97,624)	932
Accrued liabilities	1,495	(9,227)
Deferred revenue	(21,582)	-
Escrowed liabilities	(14,005)	-
	<u>\$ (105,431)</u>	<u>\$ (129,361)</u>
Net Cash used for Operating Activities		
	<u>\$ (105,431)</u>	<u>\$ (129,361)</u>
Supplemental Disclosures of Cash Flow Information		
Cash paid for interest	\$ 13,292	\$ -
	<u>\$ 13,292</u>	<u>\$ -</u>

Minnesota Chippewa Tribe
Statement of Fiduciary Net Assets
September 30, 2012

	<u>Lands Claim Settlement Fund</u>
Assets	
Cash held with fiscal agent	<u>\$ 28,587,871</u>
Liabilities	
Settlement funds payable	<u>\$ 28,587,871</u>

Note 1 - Summary of Significant Accounting Policies

The various bands of Chippewa Indians residing within the Fond du Lac, Grand Portage, Bois Forte (Nett Lake), Leech Lake, Mille Lacs and White Earth Reservations comprise the Minnesota Chippewa Tribe (the "Tribe"). The Tribe is federally recognized Indian Tribe whose constitution was formally adopted by its members on January 24, 1936.

The Tribe provides general government, public health and welfare, public safety, education, public works, culture and recreation, economic development and social and health services for the benefit of the members.

With respect to proprietary activities, the Tribe has adopted GASB statement No. 20 "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting". The Tribe has elected to apply all applicable GASB pronouncements as well as private-standard pronouncements, issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements. The Tribe has also elected not to apply private-standard pronouncements after November 30, 1989.

Reporting Entity

In evaluating how to define the government for financial reporting purposes, management evaluated the involved entities based on a number of criteria. It was determined that the Tribe is a primary government based upon the fact that it is legally separate, its governing body is separately elected, and it is fiscally independent of other governments.

Potential component units of Tribe are evaluated on various criteria, the main one being the degree of accountability the primary government has over the potential component units. The most significant factor in the accountability assessment is the potential component unit's financial accountability to the primary government, measured through the degree to which the primary government can appoint a voting majority of the governing body, impose its will, ascertain a potential financial benefit, or face a potential financial burden with regard to the potential component unit.

Potential component units of the Tribe include the Minnesota Chippewa Tribe Finance Corporation. Based upon an evaluation of the potential component units using the criteria detailed above, the following conclusions were reached.

The Minnesota Chippewa Tribe Finance Corporation should be included in the reporting entity of the Tribe. This is based on the fact that it is financially accountable to the primary government, and the Executive Committee appoints all board members of the Finance Corporation. This component unit is blended within the financial statements of the Tribe. Separately issued financial statements may be obtained by contacting the Finance Corporation office.

Basis of Presentation

Tribe-Wide Financial Statements

The goal of Tribe-wide financial statements is to present a broad overview of Tribe's finances. The basic statements that form the Tribe-wide financial statements are the statement of net assets and the statement of activities. These two statements report information on all of the non-fiduciary activities of the Tribe. The effect of interfund activity has been removed from these statements, except those between government-type activities and business-type activities. Governmental activities, which are normally financed through taxes and intergovernmental revenues, are reported separately from business-type activities, which are normally financed through user fees and charges for goods or services.

The statement of activities reports gross direct expenses by function reduced by program revenues. This results in a measurement of net revenue or expense for each of the Tribe's activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues are directly associated with the function or business-type activity and include 1) charges for services and 2) operating or capital grants and contributions that are restricted to a particular function.

Fund Financial Statements

The fund financial statements provide information about the Tribe's funds, including fiduciary funds. Separate statements for each fund category – governmental, proprietary and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

The Tribe reports the following major governmental funds:

- General Fund – This fund is the general operating fund of the Tribe. All financial resources of the general government that are not required to be reported in another fund are accounted for in the general fund.
- Department of Interior Fund – This fund is used to account for the revenues and expenditures relating to federal awards received from the Department of Interior.
- Department of Health and Human Fund – This fund is used to account for the revenues and expenditures relating to federal awards received from the Department of Health and Human Services.
- Food Stamp Nutrition Education Fund – This fund is used to account for the revenues and expenditures relating to the grant.
- Claims Case Fund – This fund is used to account for revenues and expenditures relating to the land claim lawsuit.

The Tribe reports the following major proprietary fund:

- Finance Corporation – This fund accounts for low interest loans to Native Americans for the purchase, construction or rehabilitation of housing.

Additionally, the Tribe reports the following fund type:

- Internal Service Funds – These funds account for the following activities provided to other departments of the Tribe on a cost-reimbursement basis: indirect costs, insurance, computer/copier services, revolving funds, and office supplies.

Basis of Accounting

The Tribe-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Tribe considers revenues to be available if they are collected within one year of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Intergovernmental revenue, permits, charges for services and investment income associated with the current fiscal period are the major revenues that are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period to the extent they are collected in one year. All other revenue items are considered to be measurable and available only when the Tribe receives cash.

Amounts reported as program revenues include the following: amounts received from those who purchase, use or directly benefit from a program; amounts received from parties outside the Tribe that are restricted to one or more specific programs; and earnings on investments that are legally restricted for a specific program.

Proprietary funds report operating revenues and expenses separately from nonoperating items. Operating revenues and expenses generally result from providing services or producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Tribe's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Tribe considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Tribe considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless Council has provided otherwise in its commitment or assignment actions.

Other Significant Accounting Policies

Cash Equivalents

The Tribe considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments

Investments are recorded at fair market value.

Receivable and Credit Policy

Trade receivables are uncollateralized customer obligations due under normal trade terms requiring payment within 30 days from the invoice date. The receivables are non interest bearing. Payments on trade receivables are applied to the earliest unpaid invoices. The carrying amount of trade receivables is reduced by a valuation allowance that reflects management's best estimate of the amounts that will not be collected. At September 30, 2012, the allowance for doubtful accounts was \$5,000 in the governmental activities as well as the General fund.

Grants Receivable

Grants receivable consists of amounts due for reimbursement of approved expenditures on grants entered into with various government agencies. Receivables of this nature are considered fully collectible.

Prepaid Items

Certain cash payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

Interfund Transactions

During the course of operations, transactions occurred between individual funds for good provider and services rendered. These receivables and payables are properly classified as "due from other funds" or "due to other funds" in the fund financial statements, and are eliminated in the government-wide statement of net assets, except those between government-type activities and business-type activities. Repayment terms for interfund balances have not been established. Quasi-external transactions are account for as revenues and expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the fund that is reimbursed.

Loans

Loans are reported at their outstanding unpaid principal balance adjusted for charge-offs and the allowance for loan losses.

Interest income on loans is accrued at the specific rate on the unpaid principal balance. The accrual of interest on loans is discontinued at the time the loan is 90 to 120 days delinquent unless the credit is well secured and in the process of collection. All current year interest accrued but not collected for loans that are charged off is reversed against interest income. All prior year interest accrued but not collected is charged off against the allowance for loan losses.

The Finance Corporation has determined that the accounting for nonrefundable fees and costs associated with originating loans does not have a material effect on the financial statements. As such, these fees and costs have been recognized during the period they are collected and incurred, respectively.

Allowance for Loan Losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against allowance when management believes the uncollectibility of a loan is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated by management and is based upon management's review of the collectability of the loans in light of historical experience, nature and volume of loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available.

Capital Assets

Capital assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5000. Such assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend lives are not capitalized. Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

Buildings and improvements	20 years
Machinery and equipment	3-5 years

Budgetary Data

Budgets are set up for each grant program. These budgets are often modified during the term of the contract, as conditions warrant. Any revisions that alter the total expenditures of any program must be approved by the Tribal Executive Committee and applicable funding agency. Budgets for the general fund, department of interior fund and the department of health and human services fund are approved by the Tribal Executive Committee at the beginning of the year. Significant modifications must be approved by the Tribal Executive Committee. No budget is set for the Food Stamp Nutrition Education Fund.

Deferred Revenue

The government reports deferred revenue on its balance sheet. Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenue also arises when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurring of the qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and the revenue is recognized.

Compensated Absences

Unused vacation and personal leave is accrued at year-end for each employee as established under the personnel policies of the Minnesota Chippewa Tribe. The amount of vacation and personal leave that can be accrued is unlimited and may be carried over from year-to-year. Upon termination, an employee will be paid for both unused vacation and personal leave, up to 240 hours.

Escrowed Liabilities

Escrowed liabilities consist of amounts collected from borrowers for the payment of taxes and insurances.

Revolving Fund

Under terms of the agreement between the Finance Corporation and the Minnesota Housing Finance Agency, revolving funds are provided from interest earned on loans and investments and rental income.

Indirect Costs

Indirect costs represent recoverable overhead costs charged by the Tribe to federal, state, and tribal programs in connection with administering and accounting for programs funded by federal, state and tribal resources. The latest indirect cost rate approved by the cognizant federal agency (Department of Interior, Office of Inspector General) was 18.98% for all programs. Certain programs were limited to lesser amounts as prescribed in the grant/contract award and a number of programs were not funded for the full amount of indirect costs based on the approved rate. These overhead costs have been reflected in the accompanying combined financial statements as expenditures of the governmental funds and as revenue to reimburse the expenditures of the indirect cost fund.

Federal and State Income Taxes

The Tribe, as a federally recognized Sovereign Government, is exempt from Federal and State income taxes. As such, no income taxes have been provided for in the accompanying financial statements.

Real Estate Acquired by Foreclosure

The inventory of real estate obtained through foreclosure or deed transfer in lieu of foreclosure is recorded at the outstanding mortgage principal remaining less any unused escrow remaining when title to the real estate is obtained. Additional expenses such as property insurance, foreclosure expense and building repairs are expensed during the year as incurred.

The Finance Corporation adjusts the inventory of real estate to market value when the facts indicate that the market value of the foreclosed real estate is less than the originally recorded carrying value.

Use of Estimates

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the balance sheet and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. A material estimate that is particularly susceptible to significant change in the near-term relates to the determination of the allowance for loan losses.

Fund Balance

GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions” provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance—amounts that are not in nonspendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance—amounts constrained to specific purposes by the Tribe itself, using its highest level of decision-making authority (i.e., Tribal Council). To be reported as committed, amounts cannot be used for any other purpose unless the Tribe takes the same highest level action to remove or change the constraint.
- Assigned fund balance—amounts the Tribe intends to use for a specific purpose. Intent can be expressed by the Tribal Council or by an official or body to which the Tribal Council delegates the authority.
- Unassigned fund balance—amounts that are available for any purpose. Positive amounts are reported only in the general fund.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for acquisition, construction, or improvements of those assets and adding back any unspent proceeds.

Note 2 - Deposits and Investments

Deposits

In accordance with the Tribe’s investment policy, the Tribe maintains deposits at those depository banks authorized by the Board. All such depositories are members of the Federal Reserve System.

Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Tribe will not be able to recover the value of its collateral securities that are in the possession of an outside party. In accordance with Tribal investment policy, the Tribe maintains deposits at those depository banks authorized by the tribal council, all of which are members of the Federal Reserve System. As of September 30, 2012, the Tribe’s deposits were fully insured or properly collateralized by pledged securities held by investment’s counterparty, not in the name of the Tribe.

Investments

The Tribe and Finance Corporation maintain separate investment policies. The Tribe may invest funds as authorized by the board as follows:

1. United States Government and Agency Securities (US Treasury bills, notes and bonds);
2. Government money market funds;
3. Collateralized certificates of deposit; and
4. Corporate bonds rated "A" or better

The Finance Corporation may invest funds as authorized by the Board as follows:

1. United States Treasury notes and bills issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States.
2. Stocks, bonds, and mutual funds are allowable investments for Duluth Housing Program, investment in these securities totaled \$188,807 at September 30, 2012.
3. Debentures issued by any federal government agency or instrumentality, including but not limited to the federal national mortgage association, federal home loan bank, farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal securities shall be direct issuances of federal government agencies and instrumentalities.
4. Money market funds and certificates of deposits in federal institutions.

Custodial Credit Risk

The custodial credit risk for investments is the risk that in an event of failure of counterparty, the Tribe will not be able to recover the value of the investment of the collateral securities in the possession of the outside party. The Tribe has no custodial risk for investments for September 30, 2012.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of investments in a single issuer. The Tribe places no limits on the amount which may be invested with a single issuer. More than 5 percent of the Tribe's investments are in the US Treasury Overnighter. These investments are 81% of the Tribe's total investments.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of the investment.

The Tribe manages exposure to fair value of loss arising from changing interest rates by having fixed income investments with varying maturity dates.

The Minnesota Chippewa Tribe's investments as of September 30, 2012 , consist of the following:

	Fair Value	Maturities in Years		
		Less than 1	1 to 5	More than 10
Governmental activities				
US Government Sponsored Issues	\$ 517,400	\$ 517,400	\$ -	\$ -
Business-type activities				
Certificate of deposit	6,079,990	2,641,650	3,438,340	-
Fiduciary				
US Treasury Overnighter	28,587,871	28,587,871	-	-
Total investments	<u>\$ 35,185,261</u>	<u>\$ 31,746,921</u>	<u>\$ 3,438,340</u>	<u>\$ -</u>

The Tribe carries its investments at market value and adjusts for the change in market values through current earnings. Money market mutual funds are unrated as of September 30, 2012.

Note 3 - Mortgage Loans, Business Loans, and Installment Loans Receivable

Mortgage Loans Receivable

As of September 30, 2012, the Finance Corporation had 634 outstanding loans. Loans are to be repaid in thirty (30) years or less, except for renovation loans, which are to be repaid in fifteen (15) years or less. Housing loans are secured by liens on the property to the extent such liens may validly be granted, and in accordance with standard mortgage procedures appropriate to the nature of the ownership of the land. Housing loans for dwellings on Tribal or Band land are made only if such land is leased (which lease shall be approved by the Tribe or Band) under terms insuring the availability of the land for a period equal to the term of the housing loan and 20 years thereafter. The Bureau of Indian Affairs must approve housing loans for dwellings on allotted lands in writing.

Under terms of the agreement with MHFA, the Housing Corporation must revolve repaid principal.

The loans receivable consisted of the following:

Mortgage loans receivable	\$ 24,489,265
Duluth renovating loan receivable	74,494
Mortgage receivable - FHA	9,280,745
Rental development loans	2,190,321
Revolving loan fund	(2,746,201)
	<u>33,288,624</u>
Less allowance for doubtful account	(534,465)
Total loans, net of allowance	<u>\$ 32,754,159</u>

Business Loans Receivable

During the year ended September 30, 2012, the Finance Corporation was awarded a grant from the Community Development Financial Institution for \$949,783 for the purpose of making business loans. Loans amounting to \$1,007,561 have been made as for September 30, 2012.

As of September 30, 2012, the Finance Corporation had 18 outstanding business loans. These loans are secured by equipment.

The business loan receivable consisted of the following as of September 30, 2012:

Business loan receivable	\$ 418,588
Less allowance for doubtful accounts	<u>(64,796)</u>
Total loans, net of allowance	<u><u>\$ 353,792</u></u>

Installment Loans Receivable

As of September 30, 2012, the Finance Corporation had outstanding installment loans with a total receivable balance of \$869,308. The loans are to be repaid in five years or less with a balloon payment in the final year. The installment loans are for repossessed properties that have been sold to the borrower on a contract for deed.

Note 4 - Advances

The Finance Corporation has advances due to other organizations at September 30, 2012, as follows:

Minnesota Housing Finance Agency	<u><u>\$ 34,981,245</u></u>
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Minnesota Housing Finance Agency

The Finance Corporation, through a 1976 agreement with the Minnesota Housing Finance Agency, is administering housing assistance funds for Native Americans. The funds advanced are not required to be repaid to the Minnesota Housing Finance Agency as long as the Housing Corporation follows the guidelines enacted in the agreement. Funds appropriated by the Minnesota Housing Finance Agency to the Minnesota Chippewa Tribal Housing Corporation is as follows:

Minnesota Chippewa Tribe
Notes to Financial Statements
September 30, 2012

Fiscal Year	American Indian Housing Funds	Duluth Urban Indian Housing Funds
1977-1996	\$ 25,490,677	\$ 265,500
1997	1,048,509	-
1998	1,048,509	-
1999	1,048,509	-
2000	1,048,509	-
2001	1,048,509	-
2002	1,134,342	-
2003	1,134,342	-
2004	744,770	-
2005	744,770	-
2006-2012	-	-
Plus re-allocation funds from off-reservation Chippewa Equity participation loan	172,252 14,648	- -
Total MHFA funds originally appropriated	34,678,346	265,500
Less Duluth Urban Indian Housing Fund terminated	-	(36,664)
Total MHFA funds appropriated	<u>\$ 34,678,346</u>	<u>\$ 228,836</u>

The advances from Minnesota Housing Finance Agency are calculated as follows:

	American Indian Housing Funds	Other Indian Housing Funds	Total
Total MHFA funds appropriated			
Regular	\$ 34,678,346	\$ -	\$ 34,678,346
Duluth down payment and assistance program		228,836	228,836
Plus:			
Duluth equity participation program	-	92,250	92,250
Off-reservation demonstration program	-	23,513	23,513
Less:			
MHFA appropriation yet to be received	-	-	-
MHFA payments returned	-	(41,700)	(41,700)
Advances from MHFA as of September 30, 2010	<u>\$ 34,678,346</u>	<u>\$ 302,899</u>	<u>\$ 34,981,245</u>

Federal Home Loan Bank

The Finance Corporation participates in a mortgage program in connection with the Federal Home Loan Bank of Des Moines. The Finance Corporation offers HUD insured mortgage to eligible borrowers.

Program activity is itemized as follows:

Outstanding advances - October 1, 2002	\$ 1,876,704
Advances - fiscal year 2003	-
Payments on principal - fiscal year 2003	(261,427)
Advances - fiscal year 2004	-
Payments on principal - fiscal year 2004	(231,427)
Advances - fiscal year 2005	-
Payments on principal - fiscal year 2005	(231,427)
Advances - fiscal year 2006	-
Payments on principal - fiscal year 2006	(231,423)
Advances - fiscal year 2007	-
Payments on principal - fiscal year 2007	(226,000)
Advances - fiscal year 2008	-
Payments on principal - fiscal year 2008	(205,000)
Advances - fiscal year 2009	-
Payments on principal - fiscal year 2009	(130,000)
Advances - fiscal year 2010	-
Payments on principal - fiscal year 2010	(130,000)
Advances - fiscal year 2011	-
Payments on principal - fiscal year 2011	(130,000)
Advances - fiscal year 2011	-
Payments on principal - fiscal year 2012	(100,000)
Total outstanding advances	\$ -

Repayment terms under the program stipulate that the Housing Corporation will make monthly interest payments at the rate of interest applicable when the initial advance was made. The range of interest rates on the current loans is between 5.52% and 6.86%. The loan was paid off during the year.

Note 5 - Operating Lease

The Finance Corporation leases building space to the Tribe in a building previously acquired from the Tribe in January 2007. The total rent paid to the Finance Corporation from the Tribe for the year ended September 30, 2012 was \$116,297.

Note 6 - Capital Assets

Capital asset activity for the year ended September 30, 2012 is as follows:

	Balance 10/01/11	Additions	Deletions	Balance 09/30/12
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,193,542	\$ -	\$ -	\$ 1,193,542
Capital assets, being depreciated:				
Buildings	1,287,290	10,920	(184,269)	1,113,941
Equipment	393,021	-	-	393,021
Vehicles	1,500	-	-	1,500
Total capital assets being depreciated	1,681,811	10,920	(184,269)	1,508,462
Less accumulated depreciation for:				
Buildings	314,752	57,293	(176,591)	195,454
Equipment	353,843	16,473	-	370,316
Vehicles	1,500	-	-	1,500
Total accumulated depreciation	670,095	73,766	(176,591)	567,270
Total capital assets being depreciated, net	1,011,716	(62,846)	(7,678)	941,192
Governmental activities capital assets, net	<u>\$ 2,205,258</u>	<u>\$ (62,846)</u>	<u>\$ (7,678)</u>	<u>\$ 2,134,734</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 5,710	\$ -	\$ -	\$ 5,710
Capital assets, being depreciated				
Equipment	22,685	43,549	-	66,234
MCT buildings	1,600,000	-	-	1,600,000
Other buildings and improvements	266,366	-	-	266,366
Total capital assets being depreciated	1,889,051	43,549	-	1,932,600
Less accumulated depreciation for:				
Equipment	16,492	6,713	-	23,205
MCT buildings	380,000	80,000	-	460,000
Other buildings and improvements	165,497	13,319	-	178,816
Total accumulated depreciation	561,989	100,032	-	662,021
Total capital assets being depreciated, net	1,327,062	(56,483)	-	1,270,579
Business-type activities capital assets, net	<u>\$ 1,332,772</u>	<u>\$ (56,483)</u>	<u>\$ -</u>	<u>\$ 1,276,289</u>

Depreciation expense for the year ended September 30, 2012 was charged to the following functions/programs:

Governmental activities:	
General government	\$ 57,293
Conservation of natural resources	8,075
Subtotal	65,368
Internal Service	8,398
Total depreciation expense - governmental activities	\$ 73,766
Business-type activities:	
Finance Corporation	\$ 100,032

Note 7 - Interfund Balances

A summary of the Tribe's interfund balances as of September 30, 2012 is as follows:

	Due from other funds	Due to other funds
Governmental Activities		
General Fund	\$ 426,571	\$ -
Claims Case fund	-	426,571
Business-Type Activities		
Finance Corporation	-	18,662
Internal Service Funds		
Admin Pool	18,662	-
	\$ 445,233	\$ 445,233

The Claims Case fund has a due to the General Fund for interest on expenses paid. The Finance Corporation has a due to the Admin Pool for indirect costs. The Finance Corporation is considered an enterprise fund within the Tribe. During the year ended September 30, 2012 the Finance Corporation paid indirect costs of \$166,624 to the Tribe.

Note 8 - Long – Term Liabilities

Changes in long-term liabilities during the year ended September 30, 2012 are as follows:

	Balance 10/1/2011	Additions	Retirements	Balance 9/30/2012	Due Within One Year
Governmental activities					
Compensated absences	\$ 126,337	\$ 133,566	\$ 144,815	\$ 115,088	\$ 115,088

The compensated absences will be liquidated out of the general fund.

Note 9 - Short-Term Note Payable

The Tribe has a revolving line of credit where they may borrow up to \$1,000,000, at prime rate plus 2.75 percent. There was no outstanding balance on this line as of September 30, 2012. The line of credit is due on demand.

Note 10 - Retirement Plan

As of an effective date of February 1, 1997, the Tribe adopted a 401(k) Profit Sharing Plan and Trust for all employees who have attained the age of 18. The Tribe contributes 5% of each covered employee’s gross annual wage to the plan. The employee can make additional contributions, not to exceed \$10,000 per year, with certain stipulations. Plan participants are immediately vested 100% in all employer contributions. Contributions by the Tribe to the plan were \$106,827, \$107,645, and \$108,149 for the fiscal years ended September 30, 2012, 2011 and 2010.

Note 11 - Insurance

The Tribe has established a self-funded insurance company for their employee dental insurance. Employee’s dependents can participate for a reasonable rate. All claims are processed by the Meritain Health which then bills the Tribe for the amount of the claim.

The Tribe is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; environmental damage; and natural disasters. With the exception of environmental damage, these risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

Note 12 - Deficit Fund Balance

The following funds were in a deficit position as of September 30, 2012:

Governmental Funds	
Major Fund	
Claims Case	(1,526,619)
Nonmajor Fund	
Economic Development	(26,792)
Energy Conservation	(27)
Water Analysis	(3,444)
General Assistance	(26,309)
Rural Business Enterprise	(109)
Senior Comm Srv Employ	(1,803)
Blandin Foundation	(3,766)
Nutrition Support Services	(2,600)
Internal Service Funds	
Office Space	(170,336)
Administrative Pool	(322,242)
Revolving Fund	(28,107)

Management intends to restore the deficit fund balance for the claims case fund through the funds received through the lawsuit. See Note 13 for further explanation. The remaining funds will be restored through general fund transfers or additional funding for federal and state agencies.

Note 13 - Concentration of Credit

The Finance Corporation receives a majority of its funding from the State of Minnesota. Also, the Finance Corporation lends money only to Native Americans for the purchase, construction, or rehabilitation of housing within the State of Minnesota.

Note 14 - United States Court of Federal Claims Judgment

On May 26, 1999, the U.S. Court of Federal Claims awards the Minnesota Chippewa Tribe a judgment of \$20,000,000 in relation to lawsuits it had filed charging the U.S. Government for improprieties surrounding the implementation of the Nelson Allotment Act of 1889. The judgment of \$20,000,000 has been placed in a trust account for the benefit of the Tribe. The account has been earning interest and is valued at \$28,587,871 as of September 30, 2012.

The judgment will be held in trust awaiting the final deposition approval of the Bureau of Indian Affairs. The outstanding item is the distribution plan of the judgment. All six bands within the Minnesota Chippewa Tribe must agree to the final distribution plan before any assets are taken out of the trust. This trust account is shown as an agency fund in the financial statements.

Note 15 - Issued but Non-Effective Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued several statements not yet implemented by the Tribe. The first statement issued but not implemented that will significantly affect the Tribe is statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. This statement provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (which is the net residual amount of the other elements). This statement will be implemented at the Tribe in the year ending September 30, 2013.

The second statement issued but not implemented that will significantly affect the Tribe is statement No. 61, The Financial Reporting Entity: Omnibus. This statement will improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, The Financial Reporting Entity, and the requirements of Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. This statement will be implemented at the Tribe in the year ending September 30, 2014.

The third statement issued but not implemented that will significantly affect the Tribe is statement No. 65, Items Previously Reported as Assets and Liabilities. This Statement reclassifies certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. In addition, this Statement recognizes certain items currently being reported as assets and liabilities as outflows of resources and inflows of resources. This statement will be implemented at the Tribe in the year ending September 30, 2014.

The Tribe is in the process of reviewing and evaluating the above statements. Therefore, the potential effect of these new accounting pronouncements on the financial statements cannot be determined at this time.



Supplementary Information
September 30, 2012

Minnesota Chippewa Tribe

Minnesota Chippewa Tribe
Combining Balance Sheet –
Nonmajor Governmental Funds
September 30, 2012

	Employee Loan Fund 103	Wisdom Steps 113	MIAAA Workshops 115	Timber Sale 119	Active Workplace 122	Constitution Review 125	Business Development 127	Grandkin Support 128
Assets								
Cash	\$ 17,516	\$ 17,870	\$ 2,083	\$ 60,000	\$ 3,193	\$ 11,599	\$ 12,639	\$ 12,822
Accounts receivable	-	-	-	-	-	-	-	-
Other receivables	37,154	-	-	-	-	-	-	-
Total assets	<u>\$ 54,670</u>	<u>\$ 17,870</u>	<u>\$ 2,083</u>	<u>\$ 60,000</u>	<u>\$ 3,193</u>	<u>\$ 11,599</u>	<u>\$ 12,639</u>	<u>\$ 12,822</u>
Liabilities and Fund Balance								
Liabilities								
Checks written in excess of bank balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	25	980	-	-	-	-	-	455
Deferred revenue	-	-	-	-	-	-	-	-
Total liabilities	<u>25</u>	<u>980</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>455</u>
Fund Balance (Deficit)								
Restricted								
For grants	54,645	16,890	2,083	60,000	3,193	11,599	12,639	12,367
Unassigned	-	-	-	-	-	-	-	-
Total fund balance (deficit)	<u>54,645</u>	<u>16,890</u>	<u>2,083</u>	<u>60,000</u>	<u>3,193</u>	<u>11,599</u>	<u>12,639</u>	<u>12,367</u>
Total liabilities and fund balance	<u>\$ 54,670</u>	<u>\$ 17,870</u>	<u>\$ 2,083</u>	<u>\$ 60,000</u>	<u>\$ 3,193</u>	<u>\$ 11,599</u>	<u>\$ 12,639</u>	<u>\$ 12,822</u>

Minnesota Chippewa Tribe
Combining Balance Sheet –
Nonmajor Governmental Funds
September 30, 2012

	Survey Blood Degree 129	Blandin Foundation 601	Economic Development 602	Rural Business Enterprise 661	Energy Conservation 740	Water Analysis 751	General Assistance 755	Senior Comm Srcv Employ (SCEP) 810	Nutrition Support Services 832	Total Nonmajor Governmental Funds
Assets										
Cash	\$ 66,297	\$ -	\$ 87,366	\$ -	\$ -	\$ -	\$ -	\$ (3,051)	\$ -	\$ 288,334
Accounts receivable	-	-	-	-	-	-	-	1,248	6,503	7,751
Other receivables	-	-	-	-	-	-	-	-	-	37,154
Total assets	\$ 66,297	\$ -	\$ 87,366	\$ -	\$ -	\$ -	\$ -	\$ (1,803)	\$ 6,503	\$ 333,239
Liabilities and Fund Balance										
Liabilities										
Checks written in excess of bank balance	\$ -	\$ -	\$ -	\$ 109	\$ 27	\$ -	\$ 7,293	\$ -	\$ 7,642	\$ 15,071
Accounts payable	-	-	757	-	-	-	19,016	-	1,461	22,694
Deferred revenue	-	3,766	113,401	-	-	3,444	-	-	-	120,611
Total liabilities	-	3,766	114,158	109	27	3,444	26,309	-	9,103	158,376
Fund Balance (Deficit)										
Restricted										
For grants	66,297	-	-	-	-	-	-	(1,803)	(2,600)	235,310
Unassigned	-	(3,766)	(26,792)	(109)	(27)	(3,444)	(26,309)	-	-	(60,447)
Total fund balance (deficit)	66,297	(3,766)	(26,792)	(109)	(27)	(3,444)	(26,309)	(1,803)	(2,600)	174,863
Total liabilities and fund balance	\$ 66,297	\$ -	\$ 87,366	\$ -	\$ -	\$ -	\$ -	\$ (1,803)	\$ 6,503	\$ 333,239

Minnesota Chippewa Tribe
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Nonmajor Governmental Funds
Year Ended September 30, 2012

	Employee Loan Fund 103	Wisdom Steps 113	MIAAA Workshops 115	Timber Sale 119	Active Workplace 122	Constitution Review 125	Homelessness Review 126	Business Development 127	Grandkin Support 128
Revenue									
Intergovernmental - federal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Program income	5,390	-	-	-	-	-	-	-	-
Other	4	18,351	20,248	-	-	-	-	72,000	17,500
Total revenue	5,394	18,351	20,248	-	-	-	-	72,000	17,500
Expenditures									
Personnel	-	7,797	-	-	-	-	-	44,884	2,000
Fringe benefits	-	2,609	-	-	-	9	-	13,778	891
Travel/training	-	-	17,585	-	2,675	7,350	-	624	1,596
Office expenses	-	209	203	-	-	-	-	75	646
Pass-through funds	-	-	-	-	-	-	91,000	-	-
Office and equipment rental	-	-	-	-	-	-	-	-	-
Other expenditures	113	120	-	-	-	3,139	-	-	-
Total direct expenditures	113	10,735	17,788	-	2,675	10,498	91,000	59,361	5,133
Indirect costs	-	2,040	582	-	-	-	-	-	-
Total expenditures	113	12,775	18,370	-	2,675	10,498	91,000	59,361	5,133
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,281	5,576	1,878	-	(2,675)	(10,498)	(91,000)	12,639	12,367
Other Financing Sources Transfer in	-	-	-	-	-	-	-	-	-
Net Change in Fund Balance	5,281	5,576	1,878	-	(2,675)	(10,498)	(91,000)	12,639	12,367
Fund Balance (Deficit), Beginning of Year	49,364	11,314	205	60,000	5,868	22,097	91,000	-	-
Fund Balance (Deficit), End of Year	\$ 54,645	\$ 16,890	\$ 2,083	\$ 60,000	\$ 3,193	\$ 11,599	\$ -	\$ 12,639	\$ 12,367

Minnesota Chippewa Tribe
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Nonmajor Governmental Funds
Year Ended September 30, 2012

	Survey Blood Degree 129	Blandin Foundation 601	Economic Development 602	Rural Business Enterprise 661	Energy Conservation 740	Water Analysis 751	General Assistance 755	Senior Comm Srcv Employ (SCEP) 810	Nutrition Support Services 832	Total Nonmajor Governmental Funds
Revenue										
Intergovernmental - federal	\$ -	\$ -	\$ 128,215	\$ -	\$ 100,052	\$ -	\$ 142,524	\$ 32,584	\$ 6,889	\$ 410,264
Program income	-	-	-	-	-	-	-	-	-	5,390
Other	76,926	-	-	-	-	-	-	-	-	205,029
Total revenue	76,926	-	128,215	-	100,052	-	142,524	32,584	6,889	620,683
Expenditures										
Personnel	-	-	30,208	-	-	-	7,434	38,492	-	130,815
Fringe benefits	-	-	11,455	-	-	-	1,811	3,410	-	33,963
Travel/training	-	-	7,542	-	-	-	1,348	1,097	-	39,817
Office expenses	10,629	-	4,754	109	-	-	1,640	444	-	18,709
Pass-through funds	-	-	-	-	82,836	-	147,990	-	6,889	328,715
Office and equipment rental	-	-	4,362	-	-	-	-	-	-	4,362
Other expenditures	-	-	48,929	-	-	142,465	-	-	2,600	197,366
Total direct expenditures	10,629	-	107,250	109	82,836	142,465	160,223	43,443	9,489	753,747
Indirect costs	-	-	20,965	-	-	-	2,324	3,219	-	29,130
Total expenditures	10,629	-	128,215	109	82,836	142,465	162,547	46,662	9,489	782,877
Excess (Deficiency) of Revenues Over (Under) Expenditures	66,297	-	-	(109)	17,216	(142,465)	(20,023)	(14,078)	(2,600)	(162,194)
Other Financing Sources Transfer in	-	-	-	-	-	142,465	-	-	-	142,465
Net Change in Fund Balance	66,297	-	-	(109)	17,216	-	(20,023)	(14,078)	(2,600)	(19,729)
Fund Balance (Deficit), Beginning of Year	-	(3,766)	(26,792)	-	(17,243)	(3,444)	(6,286)	12,275	-	194,592
Fund Balance (Deficit), End of Year	\$ 66,297	\$ (3,766)	\$ (26,792)	\$ (109)	\$ (27)	\$ (3,444)	\$ (26,309)	\$ (1,803)	\$ (2,600)	\$ 174,863

Minnesota Chippewa Tribe
Combining Schedule of Net Assets –
Internal Service Funds
September 30, 2012

	<u>Office Space</u>	<u>Revolving Fund</u>	<u>Computer/ Copy Services</u>	<u>Admin Pool</u>	<u>MCT Insurance</u>	<u>Total</u>
Assets						
Current Assets						
Cash and cash equivalents	\$ -	\$ -	\$ 35,139	\$ -	\$ 71,092	\$ 106,231
Accounts receivable	7,252	4,862	1,688	565	-	14,367
Due from other funds	-	-	-	18,662	-	18,662
Prepaid expenses and other assets	-	-	-	9,021	32,043	41,064
Equipment	-	26,790	58,587	-	-	85,377
Accumulated Depreciation	-	(26,790)	(45,178)	-	-	(71,968)
Total assets	<u>\$ 7,252</u>	<u>\$ 4,862</u>	<u>\$ 50,236</u>	<u>\$ 28,248</u>	<u>\$ 103,135</u>	<u>\$ 193,733</u>
Liabilities and Net Assets						
Current Liabilities						
Checks written in excess of bank balance	\$ 154,543	\$ 26,867	\$ -	\$ 194,512	\$ -	\$ 375,922
Accounts payable	23,045	6,102	-	22,759	17,270	69,176
Accrued liabilities	-	-	-	18,131	-	18,131
Noncurrent liabilities						
Due within one year	-	-	-	115,088	-	115,088
Total liabilities	<u>177,588</u>	<u>32,969</u>	<u>-</u>	<u>350,490</u>	<u>17,270</u>	<u>578,317</u>
Net Assets (Deficit)						
Invested in capital assets	-	-	13,409	-	-	13,409
Unrestricted	(170,336)	(28,107)	36,827	(322,242)	85,865	(397,993)
Total net assets (deficit)	<u>(170,336)</u>	<u>(28,107)</u>	<u>50,236</u>	<u>(322,242)</u>	<u>85,865</u>	<u>(384,584)</u>
Total liabilities and net assets	<u>\$ 7,252</u>	<u>\$ 4,862</u>	<u>\$ 50,236</u>	<u>\$ 28,248</u>	<u>\$ 103,135</u>	<u>\$ 193,733</u>

Minnesota Chippewa Tribe
Combining Schedule of Revenues, Expenses, and Changes in Net Assets –
Internal Service Funds
Year Ended September 30, 2012

	Office Space	Revolving Fund	Computer/ Copy Services	Admin Pool	MCT Insurance	Total
Revenue						
Sales of business support revenues	\$ -	\$ -	\$ 31,545	\$ -	\$ -	\$ 31,545
Indirect revenue	-	-	-	630,560	-	630,560
Rental revenue	28,750	-	-	-	-	28,750
Insurance revenue	-	-	-	-	499,609	499,609
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>499,609</u>	<u>499,609</u>
Total operating revenue	<u>28,750</u>	<u>-</u>	<u>31,545</u>	<u>630,560</u>	<u>499,609</u>	<u>1,190,464</u>
Expenses						
Current						
Personnel	3,358	-	-	408,067	-	411,425
Fringe benefits	476	-	-	145,215	-	145,691
Travel/training	-	-	-	25,265	-	25,265
Office expenses	68	-	3,791	24,150	221	28,230
Office and equipment rent	-	-	3,179	32,339	-	35,518
Maintenance	99,418	-	8,398	-	-	107,816
Other expenditures	-	-	8,194	81,933	475,783	565,910
	<u>-</u>	<u>-</u>	<u>8,194</u>	<u>81,933</u>	<u>475,783</u>	<u>565,910</u>
Total expenses	<u>103,320</u>	<u>-</u>	<u>23,562</u>	<u>716,969</u>	<u>476,004</u>	<u>1,319,855</u>
Change in Net Assets	(74,570)	-	7,983	(86,409)	23,605	(129,391)
Net Assets (Deficit), Beginning of Year	<u>(95,766)</u>	<u>(28,107)</u>	<u>42,253</u>	<u>(235,833)</u>	<u>62,260</u>	<u>(255,193)</u>
Net Assets (Deficit), End of Year	<u>\$ (170,336)</u>	<u>\$ (28,107)</u>	<u>\$ 50,236</u>	<u>\$ (322,242)</u>	<u>\$ 85,865</u>	<u>\$ (384,584)</u>

Minnesota Chippewa Tribe
Combining Schedule of Cash Flows –
Internal Service Funds
Year Ended September 30, 2012

	Office Space	Revolving Fund	Computer/ Copy Services	Admin Pool	MCT Insurance	Total
Operating Activities						
Cash received from customers	\$ 21,828	\$ -	\$ 29,858	\$ 630,117	\$ 499,609	\$ 1,181,412
Cash paid for wages and benefits	(3,834)	10	-	(562,519)	-	(566,343)
Cash paid to suppliers	(121,912)	1,972	(15,164)	(144,700)	(464,626)	(744,430)
Net Cash from (used for) Operating Activities	<u>(103,918)</u>	<u>1,982</u>	<u>14,694</u>	<u>(77,102)</u>	<u>34,983</u>	<u>(129,361)</u>
Non-Capital Financing Activities						
Decrease (increase) in due from other funds	-	-	-	531	-	531
Increase (decrease) in due to other funds	103,918	(1,982)	-	76,571	-	178,507
Net Cash from (used for) Non-Capital Financing Activities	<u>103,918</u>	<u>(1,982)</u>	<u>-</u>	<u>77,102</u>	<u>-</u>	<u>179,038</u>
Net Change in Cash and Cash Equivalents	-	-	14,694	-	34,983	49,677
Cash and Cash Equivalents at Beginning of Year	-	-	20,445	-	36,109	56,554
Cash and Cash Equivalents at End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,139</u>	<u>\$ -</u>	<u>\$ 71,092</u>	<u>\$ 106,231</u>
Reconciliation of Operating Income (Loss) to Net Cash from (used for) Operating Activities						
Change in net assets	\$ (74,570)	\$ -	\$ 7,983	\$ (86,409)	\$ 23,605	\$ (129,391)
Adjustments to reconcile operating income (loss) to cash from (used for) operating activities						
Depreciation	-	-	8,398	-	-	8,398
Changes in assets and liabilities						
Accounts receivables	(6,922)	(1,228)	(1,687)	(443)	-	(10,280)
Prepaid expenses and other assets	-	-	-	(1,846)	12,053	10,207
Accounts payables	(22,426)	3,200	-	20,833	(675)	932
Accrued liabilities	-	10	-	(9,237)	-	(9,227)
Net Cash from (used for) Operating Activities	<u>\$ (103,918)</u>	<u>\$ 1,982</u>	<u>\$ 14,694</u>	<u>\$ (77,102)</u>	<u>\$ 34,983</u>	<u>\$ (129,361)</u>

Minnesota Chippewa Tribe
Combining Balance Sheet –
U.S Department of Interior Programs
September 30, 2012

	<u>Tribal Operations 503</u>	<u>Natural Resources 510</u>	<u>Johnson O'Malley (Various)</u>	<u>Total</u>
Assets				
Cash	\$ 121,976	\$ 58,801	\$ 72,434	\$ 253,211
Prepaid items	<u>200</u>	<u>6</u>	<u>2,830</u>	<u>3,036</u>
Total assets	<u>\$ 122,176</u>	<u>\$ 58,807</u>	<u>\$ 75,264</u>	<u>\$ 256,247</u>
 Liabilities and Fund Balance				
Liabilities				
Accounts payable	\$ -	\$ 3,953	\$ -	\$ 3,953
Deferred revenue	122,176	54,854	75,264	252,294
Total liabilities	<u>122,176</u>	<u>58,807</u>	<u>75,264</u>	<u>256,247</u>
 Fund Balance				
Nonspendable				
Prepaid items	200	6	2,830	3,036
Unassigned	<u>(200)</u>	<u>(6)</u>	<u>(2,830)</u>	<u>(3,036)</u>
Total fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 122,176</u>	<u>\$ 58,807</u>	<u>\$ 75,264</u>	<u>\$ 256,247</u>

Minnesota Chippewa Tribe
Combining Schedule of Revenue, Expenditures and Change in Fund Balance –
U.S Department of Interior Programs
Year Ended September 30, 2012

	Tribal Operations 503	Natural Resources 510	Johnson O'Malley (Various)	Total
Revenue				
Intergovernmental - federal	\$ 308,242	\$ 430,506	\$ 225,978	\$ 964,726
Contract	83,732	-	-	83,732
Total revenue	391,974	430,506	225,978	1,048,458
Expenditures				
Current				
Personnel	202,302	245,388	79,348	527,038
Fringe benefits	82,008	123,009	21,618	226,635
Travel/training	3,696	2,204	23,435	29,335
Office expenses	14,263	1,141	9,061	24,465
Office and equipment rental	17,981	-	10,578	28,559
Other contracts	-	-	3	3
Other expenditures	7,844	54,696	45,108	107,648
Total direct expenditures	328,094	426,438	189,151	943,683
Indirect costs	63,880	4,068	36,827	104,775
Total expenditures	391,974	430,506	225,978	1,048,458
Revenue over Expenditures	-	-	-	-
Fund Balance, Beginning of Year	-	-	-	-
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Minnesota Chippewa Tribe
Combining Balance Sheet –
U.S. Department of Health and Human Services Programs
September 30, 2012

	Title VI Nutrition Grant 620	NEW/ STRIDE Program 621	Caregiver Support 622	MFIP 808	Title III 830	MIAAA 831
Assets						
Cash	\$ 125	\$ -	\$ 70	\$ -	\$ 55,082	\$ -
Accounts receivable	-	10	-	9,813	-	88,945
Grants receivable	8,138	87,357	294	122,220	-	61,119
Prepaid items	-	3,347	-	1,244	1,018	-
Total assets	\$ 8,263	\$ 90,714	\$ 364	\$ 133,277	\$ 56,100	\$ 150,064
Liabilities and Fund Balance						
Liabilities						
Checks written in excess of bank balance	\$ -	\$ 88,244	\$ -	\$ 133,277	\$ -	\$ 53,438
Accounts payable	8,263	2,470	364	-	628	96,626
Deferred revenue	-	-	-	-	55,472	-
Total liabilities	8,263	90,714	364	133,277	56,100	150,064
Fund Balance (Deficit)						
Nonspendable						
For prepaid items	-	3,347	-	1,244	1,018	-
Unassigned	-	(3,347)	-	(1,244)	(1,018)	-
Total fund balance (deficit)	-	-	-	-	-	-
Total liabilities and fund balance (deficit)	\$ 8,263	\$ 90,714	\$ 364	\$ 133,277	\$ 56,100	\$ 150,064

Minnesota Chippewa Tribe
Combining Balance Sheet –
U.S. Department of Health and Human Services Programs
September 30, 2012

	Kinship Caregiver 833	Alzheimer Project 834	Caregiver 835	SHIP/CMS 836	Grandkin 838	Title III-D 840	Integrated System Development 841	Total
Assets								
Cash	\$ 25,778	\$ -	\$ -	\$ 1,470	\$ 4,415	\$ -	\$ -	\$ 86,940
Accounts receivable	-	1,533	56,003	-	-	8,200	-	164,504
Grants receivable	-	-	-	-	-	2,892	14,089	296,109
Prepaid items	-	-	1,090	-	-	-	-	6,699
Total assets	\$ 25,778	\$ 1,533	\$ 57,093	\$ 1,470	\$ 4,415	\$ 11,092	\$ 14,089	\$ 554,252
Liabilities and Fund Balance								
Liabilities								
Checks written in excess of bank balance	\$ -	\$ 656	\$ 27,993	\$ -	\$ -	\$ 11,092	\$ 14,089	\$ 328,789
Accounts payable	-	-	1,431	-	-	-	-	109,782
Deferred revenue	25,778	877	27,669	1,470	4,415	-	-	115,681
Total liabilities	25,778	1,533	57,093	1,470	4,415	11,092	14,089	554,252
Fund Balance (Deficit)								
Nonspendable								
For prepaid items	-	-	1,090	-	-	-	-	6,699
Unassigned	-	-	(1,090)	-	-	-	-	(6,699)
Total liabilities and fund balance (deficit)	\$ 25,778	\$ 1,533	\$ 57,093	\$ 1,470	\$ 4,415	\$ 11,092	\$ 14,089	\$ 554,252

Minnesota Chippewa Tribe
Combining Schedule of Revenue, Expenditures, and Changes in Fund Balance –
U.S. Department of Health and Human Services Programs
Year Ended September 30, 2012

	NEW/ STRIDE Program 621	MFIP 808	Title III 830	MIAAA 831	Nutrition Support Services 832
Revenue					
Intergovernmental - federal	\$ 373,736	\$ 604,199	\$ 83,208	\$ 424,052	\$ -
Other	450	-	-	-	2,600
Total revenue	<u>374,186</u>	<u>604,199</u>	<u>83,208</u>	<u>424,052</u>	<u>2,600</u>
Expenditures					
Personnel	136,086	233,792	20,515	44,169	-
Fringe benefits	44,982	81,842	9,978	14,774	-
Travel/training	20,520	22,297	21,476	-	-
Office expenses	19,060	19,011	8,891	-	-
Pass through funds	-	-	11,963	353,794	-
Office and equipment rent	24,434	34,818	5,353	-	-
Other expenditures	69,613	122,324	5,032	-	-
Total direct expenditures	<u>314,695</u>	<u>514,084</u>	<u>83,208</u>	<u>412,737</u>	<u>-</u>
Indirect costs	<u>59,491</u>	<u>90,115</u>	<u>-</u>	<u>11,315</u>	<u>-</u>
Total expenditures	<u>374,186</u>	<u>604,199</u>	<u>83,208</u>	<u>424,052</u>	<u>-</u>
Revenue over (Under) Expenditures	-	-	-	-	2,600
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,600)</u>
Fund Balance (Deficit), End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Minnesota Chippewa Tribe
Combining Schedule of Revenue, Expenditures, and Changes in Fund Balance –
U.S. Department of Health and Human Services Programs
Year Ended September 30, 2012

	Kinship Caregiver 833	Alzheimer Project 834	Caregiver 835	Title III-D 840	Integrated System Development 841	Total
Revenue						
Intergovernmental - federal	\$ 462	\$ 657	\$ 47,560	\$ 10,647	\$ 14,089	\$ 1,558,610
Other	-	-	-	-	-	3,050
Total revenue	462	657	47,560	10,647	14,089	1,561,660
Expenditures						
Personnel	-	-	17,952	5,193	7,841	465,548
Fringe benefits	25	-	8,396	2,528	3,999	166,524
Travel/training	-	561	13,027	-	-	77,881
Office expenses	437	89	3,681	-	-	51,169
Pass through funds	-	-	-	-	-	365,757
Office and equipment rent	-	-	4,484	759	-	69,848
Other expenditures	-	7	20	2,167	-	199,163
Total direct expenditures	462	657	47,560	10,647	11,840	1,395,890
Indirect costs	-	-	-	-	2,249	163,170
Total expenditures	462	657	47,560	10,647	14,089	1,559,060
Revenue over (Under) Expenditures	-	-	-	-	-	2,600
Fund Balance, Beginning of Year	-	-	-	-	-	(2,600)
Fund Balance (Deficit), End of Year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Minnesota Chippewa Tribe
Statement of Changes in Fiduciary Net Assets
September 30, 2012

	<u>10/1/2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>9/30/2012</u>
Lands Claim Settlement Fund				
Assets				
Cash held with fiscal agent	<u>\$ 28,574,954</u>	<u>\$ 12,917</u>	<u>\$ -</u>	<u>\$ 28,587,871</u>
Liabilities				
Settlement fund payable	<u>\$ 28,574,954</u>	<u>\$ 12,917</u>	<u>\$ -</u>	<u>\$ 28,587,871</u>

Minnesota Chippewa Tribe
 Schedule of Expenditures of Federal Awards
 Year Ended September 30, 2012

Federal Grantor/Pass Through Grantor/Program	CFDA Number	Expenditures	
U.S. Department of Interior			
Passed-through the Bureau of Indian Affairs			
Tribal operations	15.048	\$	391,975
Johnson O'Malley	15.130		225,976
Natural resources	15.035		<u>430,506</u>
Total U.S. Department of Interior			\$ 1,048,457
U.S. Department of Health and Human Services			
Direct programs			
NEW Program, 10/11 - 6/12	93.594	\$	273,544
NEW Program, 07/12 - 9/12	93.594		<u>100,642</u>
Total CFDA #93.594			374,186
Disease Prevention/Health Promotion, 10/11 - 12/11	93.043		2,814
Disease Prevention/Health Promotion, 1/12 - 9/12	93.043		<u>7,831</u>
			10,645
Integrated System Development, 4/12 - 9/12	93.048		14,089
Caregiver Support, 10/11 - 12/11	93.052		17,417
Caregiver Support, 1/12 - 9/12	93.052		<u>30,141</u>
Total CFDA #93.052			47,558
Special Programs for the Aging Cluster			
Title III, Part B Grants for Supportive Services and Senior Centers, 10/11 - 12/11	93.044		16,962
Title III, Part B Grants for Supportive Services and Senior Centers, 1/12 - 9/12	93.044		66,247
AAA Administration, 10/11 - 12/11	93.044		29,455
AAA Administration, 1-12 - 9/12	93.044		40,801
Total CFDA #93.044			<u>153,465</u>
Home Delivered/Congregate Meals, 10/11 - 12/11	93.045		70,375
Home Delivered/Congregate Meals, 1/12 - 9/12	93.045		<u>183,065</u>
Total CFDA #93.045			<u>253,440</u>
NSIP - Home Delivered/Congregate Meals, 10/11 - 12/11	93.053		12,026
NSIP - Home Delivered/Congregate Meals, 1/12 - 9/12	93.053		<u>34,385</u>
Total CFDA #93.053			<u>46,411</u>
Total Special Programs for the Aging Cluster			453,316

Minnesota Chippewa Tribe
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2012

Federal Grantor/Pass Through Grantor/Program	CFDA Number	Expenditures	
U.S. Department of Health and Human Services, conti.			
Passed-through the Minnesota			
Department of Human Services			
Minnesota Family Investment Program, 10/11 - 12/11	93.558	171,559	
Minnesota Family Investment Program, 1/12 - 9/12	93.558	<u>429,197</u>	
Total CFDA #93.558			<u>600,756</u>
Total U.S. Department of Health and Human Services			1,500,550
U.S. Department of Commerce			
Direct Programs			
Economic Development Planning, 10/11 - 12/11	11.302	92,359	
Economic Development Planning, 1/12 - 9/12	11.302	<u>35,854</u>	
Total CFDA #11.302			<u>128,213</u>
Total U.S. Department of Commerce			128,213
Environmental Protection Agency			
Direct Programs			
General Assistance Program	66.926		<u>162,547</u>
Total Environmental Protection Agency			162,547
U.S. Department of Agriculture			
Passed-through State of Minnesota			
Department of Human Services			
Food Stamp Nutrition Education	10.561		575,932
Direct Program			
Rural Business Enterprise Grant	10.769		<u>109</u>
Total U.S. Department of Agriculture			576,041
U.S. Department of Energy			
Direct Programs			
ARRA - Tribal Energy Efficiency & Conservation	81.128		<u>82,835</u>
Total U.S. Department of Energy			82,835
U.S. Department of Labor			
Passed-through State of Minnesota Economic Security			
Senior Community Service Employment, 10/10 - 6/11	17.235	37,667	
Senior Community Service Employment, 7/11 - 9/11	17.235	<u>8,994</u>	
Total CFDA #17.235			<u>46,661</u>
Total U.S. Department of Labor			<u>46,661</u>
Total Federal Awards			<u>\$ 3,545,304</u>

Note 1 - Basis of Accounting

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Minnesota Chippewa Tribe and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments and Non-profit Organizations". Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

Note 2 - Agency or Pass-Through Number

The pass-through entities have not provided identifying numbers; therefore, they are not included in the accompanying schedule of expenditures of federal awards.

Note 3 - Subrecipients

During the year ended September 30, 2012, the following was passed through to subrecipients:

<u>Program</u>	<u>CFDA Number</u>	<u>Amount</u>
Food Stamp Nutrition Education	10.551	\$ 323,343
Home Delivered/Congregate Meals	93.045 / 93.053	353,796
Title III, Part B Trans/Homemaker	93.044	11,963
ARRA - Tribal Energy Efficiency & Conservation	81.128	82,836
General Assistance Program	66.926	<u>147,990</u>
Total		<u>\$ 919,928</u>



Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Tribal Executive Committee
Minnesota Chippewa Tribe
Cass Lake, Minnesota

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Minnesota Chippewa Tribe, Cass Lake, Minnesota, as of and for the year ended September 30, 2012, which collectively comprise the Tribe's basic financial statements and have issued our report thereon dated June 27, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Tribe's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Tribe's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Tribe's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of audit findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider deficiencies 12-1 and 12-2 described in the accompanying schedule of findings and questioned costs to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Tribe's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Tribe's responses to the findings identified in our audit are disclosed in the accompanying schedule of findings and questioned costs. We did not audit the Tribe's responses and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Tribal Executive Committee and management of Minnesota Chippewa Tribe and the appropriate federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

Fargo, North Dakota
June 27, 2013

Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Tribal Executive Committee
Minnesota Chippewa Tribe
Cass Lake, Minnesota

Compliance

We have audited the compliance of the Minnesota Chippewa Tribe, with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012. The Tribe's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Tribe's management. Our responsibility is to express an opinion on the Tribe's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Tribe's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Tribe's compliance with those requirements.

In our opinion the Minnesota Chippewa Tribe, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012.

Internal Control Over Compliance

Management of the Tribe is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Tribe's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Tribe's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be a material weakness, as defined above.

This report is intended solely for the information and use of the Tribal Executive Committee and management of Minnesota Chippewa Tribe and the appropriate federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Fargo, North Dakota
June 27, 2013

11-3 Comingling of Grant Funds – (CFDA #15.035 Natural Resources - 2011, CFDA #15.048 Tribal Operations - 2011 and CFDA #15.130 Johnson O’Malley - 2011)

Finding – The cash balances from the Department of Interior are covering the cash deficit in the Claims Case Fund, General Fund and Admin Pool Fund. Cash balances from federal sources should not be used to supplement operating activities of non-federal activities.

Status –Tribe employees have made an effort to maintain an adequate cash balance for these federal programs.

Auditor Response – Implemented.

A. Summary of Auditors' Results

Financial Statements

Type of Auditor's Report Issued	Unqualified	
Internal Control over Financial Reporting		
Material weakness(es) identified?	<u> X </u> yes	<u> </u> no
Significant deficiency(ies) identified?	<u> </u> yes	<u> X </u> none reported
Noncompliance Material to Financial Statements Noted?	<u> </u> yes	<u> X </u> no

Federal Awards

Internal Control over Major Programs		
Material weakness(es) identified?	<u> </u> yes	<u> X </u> no
Significant deficiency(ies) identified?	<u> </u> yes	<u> X </u> none reported
Type of Auditor's Report Issued on Compliance for Major Programs	Unqualified	
Any Audit Findings Disclosed That Are Required to be Reported in Accordance with Section 510(A) of <i>OMB Circular A-133</i> ?	<u> </u> yes	<u> X </u> no

Identification of Major Programs

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.561	Food Stamp Nutrition Education
15.035	Natural Resources
15.048	Tribal Operations
93.558	Minnesota Family Investment Program
15.130	Johnson O'Malley

Dollar Threshold used to Distinguish Between Type A and Type B Programs	\$ 300,000
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Auditee Qualified as Low-Risk Auditee?	<u> </u> yes	<u> X </u> no
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A. Findings – Financial Statement Audit

Material Weakness

12-1 Preparation of Financial Statements

Condition – The Tribe does not have an internal control system designed to provide for the preparation of the financial statements being audited. The auditors were requested to, and did, draft the Tribe’s financial statements and accompanying notes to the financial statements.

Criteria – A good system of internal accounting control contemplates an adequate system for the ability to internally prepare their financial statements.

Effect – The financial disclosures in the financial statements could be incomplete.

Cause: Tribal personnel do not have adequate training to apply accounting principles generally accepted in the United States of America internally.

Recommendation – This circumstance is not unusual in a Tribe of your size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Management’s Response – Due to cost constraints, the Tribe will continue to have the auditors draft the financial statements and accompanying notes to the financial statements.

Material Weakness

12-2 Significant Journal Entries

Condition – During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the Tribe’s existing internal controls, and therefore could have resulted in a material misstatement of the Tribe’s financial statements.

Criteria – A good system of internal accounting control contemplates an adequate system for recording and processing entries material to the financial statements.

Effect – This control deficiency could result in a misstatement to the financial statements that would not be prevented or detected.

Cause – The Tribe does not have an internal control system designed to identify all necessary adjustments.

Recommendation – A thorough review and reconciliation of accounts in each fund should take place prior to the beginning of the audit. This review should be done at both the accounting staff and accounting supervisor levels.

Management’s Response – The Tribe is developing a fiscal year end review process and checklist that will be implemented at the end of the fiscal year September 30, 2012 to ensure that future audit adjustments will be minimal.

A. Major Federal Award Programs Audit – None