



Financial Statements
September 30, 2013

Minnesota Chippewa Tribe

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Independent Auditor's Report

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

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the Tribe's basic financial statements as listed in the table of contents

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion 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 Audit 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2013, 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.

Other Matters

Required Supplementary Information

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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Tribe's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2014, on our considerations of the 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 an 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* in considering the Tribe's internal control over financial reporting and compliance.

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

Fargo, North Dakota
June 26, 2014

Minnesota Chippewa Tribe
Statement of Net Position
September 30, 2013

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,244,614	\$ 2,081,714	\$ 3,326,328
Investments	1,065,212	10,690,664	11,755,876
Internal balances	51,000	(51,000)	-
Account receivable, net	273,417	265,083	538,500
Loans receivable, net	-	31,781,512	31,781,512
Grant receivable	376,745	-	376,745
Other receivables and accrued interest	49,004	105,599	154,603
Prepaid items	37,826	1,372	39,198
Other assets, net	-	3,042,565	3,042,565
Capital assets			
Not being depreciated	1,193,542	5,710	1,199,252
Being depreciated, net of depreciation	884,858	1,172,724	2,057,582
Total assets	<u>\$ 5,176,218</u>	<u>\$ 49,095,943</u>	<u>\$ 54,272,161</u>
Liabilities			
Accounts payable	\$ 312,370	\$ 278,158	\$ 590,528
Accrued liabilities	28,008	29,758	57,766
Unearned revenue	1,388,176	392,589	1,780,765
Noncurrent liabilities			
Due within one year	97,932	-	97,932
Due in more than one year	-	34,981,245	34,981,245
Total liabilities	<u>1,826,486</u>	<u>35,681,750</u>	<u>37,508,236</u>
Net Position			
Investment in capital assets	2,078,400	1,178,434	3,256,834
Restricted for grants	200,080	-	200,080
Unrestricted	1,071,252	12,235,759	13,307,011
Total net position	<u>3,349,732</u>	<u>13,414,193</u>	<u>16,763,925</u>
Total liabilities and net position	<u>\$ 5,176,218</u>	<u>\$ 49,095,943</u>	<u>\$ 54,272,161</u>

Minnesota Chippewa Tribe
Statement of Activities
Year Ended September 30, 2013

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Total
Primary government						
Governmental activities:						
General government	\$ 1,793,362	\$ 1,784,443	\$ 1,680,497	\$ 1,671,578	\$ -	\$ 1,671,578
Education	547,536	-	547,535	(1)	-	(1)
Human services	2,266,309	-	2,584,387	318,078	-	318,078
Conservation of natural resources	684,612	-	345,310	(339,302)	-	(339,302)
Economic development	172,526	-	152,683	(19,843)	-	(19,843)
Other	449,780	-	163,709	(286,071)	-	(286,071)
Total governmental activities	<u>5,914,125</u>	<u>1,784,443</u>	<u>5,474,121</u>	<u>1,344,439</u>	<u>-</u>	<u>1,344,439</u>
Business-type activities:						
Finance Corporation	<u>1,257,252</u>	<u>1,453,673</u>	<u>-</u>	<u>-</u>	<u>196,421</u>	<u>196,421</u>
Total primary government	<u>\$ 7,171,377</u>	<u>\$ 3,238,116</u>	<u>\$ 5,474,121</u>	<u>1,344,439</u>	<u>196,421</u>	<u>1,540,860</u>
Change in net position				1,344,439	196,421	1,540,860
Net position - beginning				<u>2,005,293</u>	<u>13,217,772</u>	<u>15,223,065</u>
Net position - ending				<u>\$ 3,349,732</u>	<u>\$ 13,414,193</u>	<u>\$ 16,763,925</u>

Minnesota Chippewa Tribe
Balance Sheet – Governmental Funds
September 30, 2013

	General Fund	Department of Interior	Department of Health and Human Services	Food Stamp Nutrition Education	Other Governmental Funds	Total Governmental Funds
Assets						
Cash	\$ 787,185	\$ 625,327	\$ 83,669	\$ -	\$ 225,683	\$ 1,721,864
Investments	1,065,212	-	-	-	-	1,065,212
Accounts receivable	35,984	11,563	80,663	137,854	5,685	271,749
Grant receivable	-	-	376,745	-	-	376,745
Other receivables	-	-	-	-	49,004	49,004
Prepaid items	-	1,233	2,974	1,369	155	5,731
Total assets	\$ 1,888,381	\$ 638,123	\$ 544,051	\$ 139,223	\$ 280,527	\$ 3,490,305
Liabilities and Fund Balance						
Liabilities						
Checks in excess of bank balance	\$ -	\$ -	\$ 383,488	\$ 16,873	\$ 64,088	\$ 464,449
Due to other funds	-	-	-	2,648	-	2,648
Accounts payable	1,846	3,953	103,597	113,801	50,154	273,351
Accrued liabilities	-	-	-	3,698	-	3,698
Deferred revenue	653,719	634,170	59,566	2,203	38,518	1,388,176
Total liabilities	655,565	638,123	546,651	139,223	152,760	2,132,322
Fund Balance (Deficit)						
Nonspendable						
For prepaid items	-	1,233	2,974	1,369	155	5,731
Restricted						
For grants	-	-	-	(1,369)	201,449	200,080
Unassigned	1,232,816	(1,233)	(5,574)	-	(73,837)	1,152,172
Total fund balance (deficit)	1,232,816	-	(2,600)	-	127,767	1,357,983
Total liabilities and fund balance	\$ 1,888,381	\$ 638,123	\$ 544,051	\$ 139,223	\$ 280,527	\$ 3,490,305

Minnesota Chippewa Tribe
Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position
September 30, 2013

Total Funds Balances - Governmental Funds	\$ 1,357,983
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	2,061,350
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 position.	<u>(69,601)</u>
Total Net Position - Governmental Activities	<u><u>\$ 3,349,732</u></u>

Minnesota Chippewa Tribe
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
Year Ended September 30, 2013

	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	\$ -	\$ 1,097,069	\$ 1,475,141	\$ 568,332	\$ -	\$ 701,127	\$ 3,841,669
Program income	-	-	-	-	-	5,855	5,855
Tribal contributions	96,281	-	-	-	-	-	96,281
Investment income	56,111	-	-	-	1,531,110	-	1,587,221
Liquor permits	22,600	-	-	-	-	-	22,600
Contract	-	11,563	-	-	-	-	11,563
Project	-	-	-	-	-	142,465	142,465
Other	101,878	-	81,572	-	-	202,048	385,498
Total revenues	<u>276,870</u>	<u>1,108,632</u>	<u>1,556,713</u>	<u>568,332</u>	<u>1,531,110</u>	<u>1,051,495</u>	<u>6,093,152</u>
Expenditures							
Personnel	21,241	382,637	462,037	76,864	-	128,180	1,070,959
Fringe benefits	617	131,752	155,154	29,300	-	30,811	347,634
Travel/training	76,977	75,111	80,887	25,509	-	80,407	338,891
Office expense	15,688	41,482	44,168	16,447	-	64,822	182,607
Pass-through funds	-	-	389,841	365,062	-	511,507	1,266,410
Office and equipment rental	2,111	31,626	56,141	9,194	-	4,759	103,831
Other contracts	-	2	-	-	-	-	2
Other expenditures	334,780	262,407	203,046	15,058	4,491	242,571	1,062,353
Total direct expenditures	451,414	925,017	1,391,274	537,434	4,491	1,063,057	4,372,687
Indirect costs	31,449	183,615	165,439	30,898	-	38,134	449,535
Total expenditures	<u>482,863</u>	<u>1,108,632</u>	<u>1,556,713</u>	<u>568,332</u>	<u>4,491</u>	<u>1,101,191</u>	<u>4,822,222</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(205,993)	-	-	-	1,526,619	(49,696)	1,270,930
Other Financing Uses							
Transfer out	(181,499)	-	-	-	-	-	(181,499)
Net Change in Fund Balance	(387,492)	-	-	-	1,526,619	(49,696)	1,089,431
Fund Balance (Deficit), Beginning of Year	1,620,308	-	(2,600)	-	(1,526,619)	177,463	268,552
Fund Balance (Deficit), End of Year	<u>\$ 1,232,816</u>	<u>\$ -</u>	<u>\$ (2,600)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 127,767</u>	<u>\$ 1,357,983</u>

Minnesota Chippewa Tribe
Reconciliation of the Changes in Funds Balances of
Governmental Funds to the Statement of Activities
Year Ended September 30, 2013

Net Change in Funds Balances - Total Governmental Funds	\$ 1,089,431
Amounts reported for governmental activities in the statement of activities are different because:	
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:	
Depreciation expense	(59,256)
The net effect of the disposal of capital assets is to decrease net position	(719)
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.	<u>314,983</u>
Change in Net Position of Governmental Activities	<u><u>\$ 1,344,439</u></u>

Minnesota Chippewa Tribe
Statement of Net Position –
Proprietary Funds
September 30, 2013

	Business-Type Activity - Enterprise Fund <u>Finance Corporation</u>	Governmental Activities - Internal <u>Service Funds</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 2,081,714	\$ 121,687
Investments, current portion	3,205,163	-
Accounts receivable	265,083	1,668
Due from other funds	-	53,648
Prepaid expenses and other assets	1,372	32,095
Accrued interest receivable	105,599	-
Mortgage loans receivable, current portion	1,614,492	-
Business loans receivable, current portion	92,568	-
Installment loans receivable, current portion	18,651	-
Total current assets	7,384,642	209,098
Non-Current Assets		
Investments, net of current portion	7,485,501	-
Mortgage loans receivable, net of current portion and allowance	28,804,267	-
Business loans receivable, net of current portion and allowance	419,312	-
Installment loans receivable, net of current portion	832,222	-
Capital assets, net of accumulated depreciation		
Land	5,710	-
Building and equipment	1,172,724	19,698
Real estate acquired by foreclosures	3,042,565	-
Total non-current assets	41,762,301	19,698
Total assets	\$ 49,146,943	\$ 228,796
Liabilities and Net Position		
Current Liabilities		
Checks written in excess of bank balance	\$ -	\$ 134,488
Accounts payable	278,158	41,667
Accrued liabilities	29,758	24,310
Unearned revenue	392,589	-
Due to other funds	51,000	-
Noncurrent liabilities		
Due within one year	-	97,932
Due in more than one year	34,981,245	-
Total liabilities	35,732,750	298,397
Net Position (Deficit)		
Investment in capital assets	1,178,434	19,698
Unrestricted	12,235,759	(89,299)
Total net position (deficit)	13,414,193	(69,601)
Total liabilities and net position	\$ 49,146,943	\$ 228,796

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

Minnesota Chippewa Tribe
Statement of Revenues, Expenses, and Changes in Net Position –
Proprietary Funds
Year Ended September 30, 2013

	Business-Type Activity - Enterprise Fund <u>Finance Corporation</u>	Governmental Activities - Internal <u>Service Funds</u>
Revenue		
Housing revenue	\$ 1,730,764	\$ -
Indirect revenue	-	879,541
Rental revenue	-	27,623
Sales of business support services	-	30,981
Other revenue	-	386,381
	<u>1,730,764</u>	<u>1,324,526</u>
Total operating revenue	1,730,764	1,324,526
Less direct costs of revenue	<u>378,228</u>	<u>-</u>
Net revenue	<u>1,352,536</u>	<u>1,324,526</u>
Expenses		
Current		
Personnel	632,447	433,114
Fringe benefits	195,922	143,416
Depreciation	97,855	115,648
Travel/training	55,315	19,889
Office expenses	32,147	23,007
Office and equipment rent	-	34,505
Other expenditures	53,033	412,311
Capital outlay	-	9,152
	<u>1,066,719</u>	<u>1,191,042</u>
Total direct expenses	1,066,719	1,191,042
Indirect costs	<u>190,533</u>	<u>-</u>
Total expenses	<u>1,257,252</u>	<u>1,191,042</u>
Income before nonoperating activity	95,284	133,484
Nonoperating Activities		
Transfer In	-	181,499
Investment income	101,137	-
Total nonoperating activities	<u>101,137</u>	<u>181,499</u>
Change in Net Position	196,421	314,983
Net Position (Deficit), Beginning of Year	<u>13,217,772</u>	<u>(384,584)</u>
Net Position (Deficit), End of Year	<u>\$ 13,414,193</u>	<u>\$ (69,601)</u>

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, 2013

	Business-Type Activity - Enterprise Fund <u>Finance Corporation</u>	Governmental Activities - Internal <u>Service Funds</u>
Operating Activities		
Cash received from customers	\$ 1,772,193	\$ 1,339,872
Cash paid for wages and benefits	(824,888)	(587,507)
Cash paid to suppliers	<u>(407,806)</u>	<u>(934,569)</u>
Net Cash from (used for) Operating Activities	<u>539,499</u>	<u>(182,204)</u>
Non-Capital Financing Activities		
Increase in due from other funds	-	(34,986)
Increase in due to other funds	-	68,007
Transfer to other funds	<u>-</u>	<u>181,499</u>
Net Cash from Non-Capital Financing Activities	<u>-</u>	<u>214,520</u>
Capital and Related Financing Activities		
Cash paid for repairs on repossed property	(103,250)	-
Cash received from sale of repossed property	396,092	-
Cash paid for purchase of equipment	<u>-</u>	<u>(16,860)</u>
Net Cash from (used for) Capital and Related Financing Activities	<u>292,842</u>	<u>(16,860)</u>
Investing Activities		
Net cash received for investments	(4,610,674)	-
Investment income	165,135	-
Disbursement for loans	(1,415,966)	-
Proceeds from loan payments	<u>3,361,361</u>	<u>-</u>
Net Cash used for Investing Activities	<u>(2,500,144)</u>	<u>-</u>
Net Change in Cash and Cash Equivalents	(1,667,803)	15,456
Cash and Cash Equivalents at Beginning of Year	<u>3,749,517</u>	<u>106,231</u>
Cash and Cash Equivalents at End of Year	<u>\$ 2,081,714</u>	<u>\$ 121,687</u>

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, 2013

	<u>Business-Type Activity - Enterprise Fund Finance Corporation</u>	<u>Governmental Activities - Internal Service Funds</u>
Reconciliation of Operating Income to		
Net Cash from (used for) Operating Activities		
Change in net position	\$ 95,284	\$ 133,484
Adjustments to reconcile increase in net position to cash used for operating activities		
Depreciation	97,855	9,152
Unrealized loss on investments	(63,998)	-
Gain on sale of land/houses	12,293	-
Changes in assets and liabilities		
Accounts receivables	48,326	14,118
Installment loans receivable	18,435	-
Accrued interest receivable	26,373	-
Prepaid expenses and other assets	(838)	8,969
Accounts payables	263,124	(336,950)
Accrued liabilities	3,481	(10,977)
Escrowed liabilities	39,164	-
Net Cash from (used for) Operating Activities	<u>\$ 539,499</u>	<u>\$ (182,204)</u>
Supplemental Disclosures of Cash Flow Information		
Cash paid for interest	<u>\$ 13,292</u>	<u>\$ -</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. 62 "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements."

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 position 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, 2013, 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 position, 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 \$5,000. 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

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 Position

Net position represent the difference between assets and liabilities. Net position 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, 2013, the Tribe's deposits were not fully insured or properly collateralized by pledged securities. Deposits at Western Bank were under collateralized by \$665,391.

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 \$286,188 at September 30, 2013.
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, 2013.

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, 2013 , consist of the following:

	Fair Value	Maturities in Years	
		Less than 1	1 to 5
Governmental activities			
US Government Sponsored Issues	\$ 1,065,212	\$ 1,065,212	\$ -
Business-type activities			
Certificate of deposit	10,690,664	3,205,163	7,485,501
Fiduciary			
US Treasury Overnighter	-	-	-
Total investments	<u>\$ 11,755,876</u>	<u>\$ 4,270,375</u>	<u>\$ 7,485,501</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, 2013.

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

Mortgage Loans Receivable

As of September 30, 2013, the Finance Corporation had 605 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	\$ 24,768,494
Duluth renovating loan receivable	74,494
Mortgage receivable - FHA	9,432,545
Rental development loans	2,190,321
Revolving loan fund	(5,512,630)
Allowance for doubtful accounts	(534,465)
Total loans, net of allowance	<u>30,418,759</u>
Less current portion or loan receivable	<u>(1,614,492)</u>
	<u>\$ 28,804,267</u>

Business Loans Receivable

On May 11, 2005, 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 \$1,331,261 have been made as for September 30, 2013.

As of September 30, 2013, 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, 2013:

Business loan receivable	\$ 584,346
Allowance for doubtful accounts	(72,466)
Total loans, net of allowance	511,880
Less current portion or loan receivable	(92,568)
Total loans, net of allowance	\$ 419,312

Installment Loans Receivable

As of September 30, 2013, 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, 2013, as follows:

Minnesota Housing Finance Agency	\$ 34,981,245
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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:

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	-
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>

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, 2013 was \$119,168.

Note 6 - Capital Assets

Capital asset activity for the year ended September 30, 2013 is as follows:

	Balance 10/01/12	Additions	Deletions	Balance 09/30/13
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,193,542	\$ -	\$ -	\$ 1,193,542
Capital assets, being depreciated:				
Buildings	1,113,941	-	-	1,113,941
Equipment	393,021	16,860	(12,749)	397,132
Vehicles	1,500	-	-	1,500
Total capital assets being depreciated	1,508,462	16,860	(12,749)	1,512,573
Less accumulated depreciation for:				
Buildings	195,454	55,879	-	251,333
Equipment	370,316	16,596	(12,030)	374,882
Vehicles	1,500	-	-	1,500
Total accumulated depreciation	567,270	72,475	(12,030)	627,715
Total capital assets being depreciated, net	941,192	(55,615)	(719)	884,858
Governmental activities capital assets, net	\$ 2,134,734	\$ (55,615)	\$ (719)	\$ 2,078,400

Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 5,710	\$ -	\$ -	\$ 5,710
Capital assets, being depreciated:				
Equipment	66,234	-	-	66,234
MCT buildings	1,600,000	-	-	1,600,000
Other buildings and improvements	266,366	-	-	266,366
Total capital assets being depreciated	1,932,600	-	-	1,932,600
Less accumulated depreciation for:				
Equipment	23,205	6,295	-	29,500
MCT buildings	460,000	80,000	-	540,000
Other buildings and improvements	178,816	11,560	-	190,376
Total accumulated depreciation	662,021	97,855	-	759,876
Total capital assets being depreciated, net	1,270,579	(97,855)	-	1,172,724
Business-type activities capital assets, net	<u>\$ 1,276,289</u>	<u>\$ (97,855)</u>	<u>\$ -</u>	<u>\$ 1,178,434</u>

Depreciation expense for the year ended September 30, 2013 was charged to the following functions/programs:

Governmental activities:	
General government	\$ 55,879
Conservation of natural resources	7,444
Subtotal	<u>63,323</u>
Internal Service	9,152
Total depreciation expense - governmental activities	<u>\$ 72,475</u>
Business-type activities:	
Finance Corporation	<u>\$ 97,855</u>

Note 7 - Interfund Balances

A summary of the Tribe's interfund balances as of September 30, 2013 is as follows:

	Due from other funds	Due to other funds
Governmental Activities		
Food Stamp Nutrition Education	-	2,648
Business-Type Activities		
Finance Corporation	-	51,000
Internal Service Funds		
Admin Pool	53,648	-
	\$ 53,648	\$ 53,648

The Finance Corporation and the Food Stamp Nutrition Education Fund have a due to the Admin Pool for indirect costs. The Finance Corporation is considered an enterprise fund within the Tribe. The General Fund paid to the Office Space Fund the amount of \$181,499 for the General Fund's share of office rent.

Note 8 - Long – Term Liabilities

Changes in long-term liabilities during the year ended September 30, 2013 are as follows:

	Balance 10/1/2012	Additions	Retirements	Balance 9/30/2013	Due Within One Year
Governmental activities					
Compensated absences	\$ 115,088	\$ 120,236	\$ 137,392	\$ 97,932	\$ 97,932

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, 2013. 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 \$100,647, \$106,827, and \$107,645 for the fiscal years ended September 30, 2013, 2012 and 2011.

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, 2013:

Governmental Funds	
Major Fund	
Department of Health and Human Services	(2,600)
Nonmajor Fund	
Economic Development	(51,232)
Water Analysis	(3,444)
General Assistance	(20,841)
Rural Business Enterprise	(131)
Senior Comm Srv Employ	(5,833)
Blandin Foundation	(3,766)
Internal Service Funds	
Office Space	(86,182)
Administrative Pool	(121,269)
Revolving Fund	(16,016)

Management intends to restore the deficit fund balance. The 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 - Issued but Non-Effective Accounting Pronouncements

The 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 statement. Therefore, the potential effect of the new accounting pronouncements on the financial statements cannot be determined at this time.



Supplementary Information
September 30, 2013

Minnesota Chippewa Tribe

Minnesota Chippewa Tribe
Combining Balance Sheet –
Nonmajor Governmental Funds
September 30, 2013

	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	\$ 11,405	\$ 3,766	\$ 4,519	\$ 60,000	\$ 1,625	\$ -	\$ 18,535	\$ -
Accounts receivable	-	-	-	-	-	-	-	-
Other receivables	49,004	-	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-	-	-
Total assets	<u>\$ 60,409</u>	<u>\$ 3,766</u>	<u>\$ 4,519</u>	<u>\$ 60,000</u>	<u>\$ 1,625</u>	<u>\$ -</u>	<u>\$ 18,535</u>	<u>\$ -</u>
Liabilities and Fund Balance								
Liabilities								
Checks written in excess of bank balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	-	1,645	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>1,645</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance (Deficit)								
Nonspendable								
For prepaid items	-	-	-	-	-	-	-	-
Restricted								
For grants	60,409	3,766	2,874	60,000	1,625	-	18,535	-
Unassigned	-	-	-	-	-	-	-	-
Total fund balance (deficit)	<u>60,409</u>	<u>3,766</u>	<u>2,874</u>	<u>60,000</u>	<u>1,625</u>	<u>-</u>	<u>18,535</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 60,409</u>	<u>\$ 3,766</u>	<u>\$ 4,519</u>	<u>\$ 60,000</u>	<u>\$ 1,625</u>	<u>\$ -</u>	<u>\$ 18,535</u>	<u>\$ -</u>

Minnesota Chippewa Tribe
Combining Balance Sheet –
Nonmajor Governmental Funds
September 30, 2013

Survey Blood Degree 129	Diabetes Screening Awareness 130	Wisdom Steps 132	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	Total Nonmajor Governmental Funds
\$ 5,593	\$ 408	\$ 54,072	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 65,760	\$ -	\$ 225,683
-	-	-	-	-	-	5,685	-	-	-	5,685
-	-	-	-	-	-	-	-	-	-	49,004
-	155	-	-	-	-	-	-	-	-	155
<u>\$ 5,593</u>	<u>\$ 563</u>	<u>\$ 54,072</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,685</u>	<u>\$ -</u>	<u>\$ 65,760</u>	<u>\$ -</u>	<u>\$ 280,527</u>
\$ -	\$ -	\$ -	\$ -	\$ 50,723	\$ 131	\$ 108	\$ -	\$ 7,293	\$ 5,833	\$ 64,088
-	-	-	-	509	-	-	-	48,000	-	50,154
-	-	-	3,766	-	-	-	3,444	31,308	-	38,518
-	-	-	<u>3,766</u>	<u>51,232</u>	<u>131</u>	<u>108</u>	<u>3,444</u>	<u>86,601</u>	<u>5,833</u>	<u>152,760</u>
-	155	-	-	-	-	-	-	-	-	155
5,593	408	54,072	-	-	-	-	-	-	(5,833)	201,449
-	-	-	(3,766)	(51,232)	(131)	5,577	(3,444)	(20,841)	-	(73,837)
<u>5,593</u>	<u>563</u>	<u>54,072</u>	<u>(3,766)</u>	<u>(51,232)</u>	<u>(131)</u>	<u>5,577</u>	<u>(3,444)</u>	<u>(20,841)</u>	<u>(5,833)</u>	<u>127,767</u>
<u>\$ 5,593</u>	<u>\$ 563</u>	<u>\$ 54,072</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,685</u>	<u>\$ -</u>	<u>\$ 65,760</u>	<u>\$ -</u>	<u>\$ 280,527</u>

Minnesota Chippewa Tribe
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Nonmajor Governmental Funds
Year Ended September 30, 2013

	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	5,855	-	-	-	-	-	-	-	-
Project	-	-	-	-	-	-	-	-	-
Other	8	6,144	26,933	-	778	-	-	40,000	-
Total revenue	5,863	6,144	26,933	-	778	-	-	40,000	-
Expenditures									
Personnel	-	12,140	-	-	-	-	-	19,357	2,000
Fringe benefits	-	3,448	-	-	-	-	-	14,135	753
Travel/training	-	-	25,167	-	2,147	-	-	495	9,163
Office expenses	-	238	975	-	199	-	-	117	451
Pass-through funds	-	-	-	-	-	-	-	-	-
Office and equipment rental	-	-	-	-	-	-	-	-	-
Other expenditures	99	251	-	-	-	11,599	-	-	-
Total direct expenditures	99	16,077	26,142	-	2,346	11,599	-	34,104	12,367
Indirect costs	-	3,191	-	-	-	-	-	-	-
Total expenditures	99	19,268	26,142	-	2,346	11,599	-	34,104	12,367
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,764	(13,124)	791	-	(1,568)	(11,599)	-	5,896	(12,367)
Fund Balance (Deficit), Beginning of Year	54,645	16,890	2,083	60,000	3,193	11,599	-	12,639	12,367
Fund Balance (Deficit), End of Year	\$ 60,409	\$ 3,766	\$ 2,874	\$ 60,000	\$ 1,625	\$ -	\$ -	\$ 18,535	\$ -

Minnesota Chippewa Tribe
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Nonmajor Governmental Funds
Year Ended September 30, 2013

Survey Blood Degree 129	Diabetes Screening Awareness 130	Wisdom Steps 132	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	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 152,683	\$ -	\$ 411,167	\$ -	\$ 83,781	\$ 53,496	\$ 701,127
-	-	-	-	-	-	-	-	-	-	5,855
-	-	-	-	-	-	-	142,465	-	-	142,465
-	3,125	125,060	-	-	-	-	-	-	-	202,048
-	3,125	125,060	-	152,683	-	411,167	142,465	83,781	53,496	1,051,495
-	-	-	-	45,671	11	-	-	3,143	45,858	128,180
-	-	-	-	6,477	-	-	-	918	5,080	30,811
309	1,805	27,534	-	13,787	-	-	-	-	-	80,407
60,395	152	1,226	-	1,046	11	-	-	12	-	64,822
-	-	32,520	-	-	-	405,563	-	73,424	-	511,507
-	-	-	-	4,759	-	-	-	-	-	4,759
-	181	9,708	-	76,799	-	-	142,465	-	1,469	242,571
60,704	2,138	70,988	-	148,539	22	405,563	142,465	77,497	52,407	1,063,057
-	424	-	-	28,584	-	-	-	816	5,119	38,134
60,704	2,562	70,988	-	177,123	22	405,563	142,465	78,313	57,526	1,101,191
(60,704)	563	54,072	-	(24,440)	(22)	5,604	-	5,468	(4,030)	(49,696)
66,297	-	-	(3,766)	(26,792)	(109)	(27)	(3,444)	(26,309)	(1,803)	177,463
\$ 5,593	\$ 563	\$ 54,072	\$ (3,766)	\$ (51,232)	\$ (131)	\$ 5,577	\$ (3,444)	\$ (20,841)	\$ (5,833)	\$ 127,767

Minnesota Chippewa Tribe
Combining Schedule of Net Position –
Internal Service Funds
September 30, 2013

	Office Space	Revolving Fund	Computer/ Copy Services	Admin Pool	MCT Insurance	Total
Assets						
Current Assets						
Cash and cash equivalents	\$ -	\$ -	\$ 29,994	\$ -	\$ 91,693	\$ 121,687
Accounts receivable	-	280	1,388	-	-	1,668
Due from other funds	-	-	-	53,648	-	53,648
Prepaid expenses and other assets	-	-	-	7,476	24,619	32,095
Equipment	-	26,790	62,698	-	-	89,488
Accumulated Depreciation	-	(26,790)	(43,000)	-	-	(69,790)
Total assets	<u>\$ -</u>	<u>\$ 280</u>	<u>\$ 51,080</u>	<u>\$ 61,124</u>	<u>\$ 116,312</u>	<u>\$ 228,796</u>
Liabilities and Net Position						
Current Liabilities						
Checks written in excess of bank balance	\$ 66,481	\$ 7,178	\$ -	\$ 60,829	\$ -	\$ 134,488
Accounts payable	19,701	9,118	-	229	12,619	41,667
Accrued liabilities	-	-	-	23,403	907	24,310
Noncurrent liabilities						
Due within one year	-	-	-	97,932	-	97,932
Total liabilities	<u>86,182</u>	<u>16,296</u>	<u>-</u>	<u>182,393</u>	<u>13,526</u>	<u>298,397</u>
Net Position (Deficit)						
Investment in capital assets	-	-	19,698	-	-	19,698
Unrestricted	(86,182)	(16,016)	31,382	(121,269)	102,786	(89,299)
Total net position (deficit)	<u>(86,182)</u>	<u>(16,016)</u>	<u>51,080</u>	<u>(121,269)</u>	<u>102,786</u>	<u>(69,601)</u>
Total liabilities and net position	<u>\$ -</u>	<u>\$ 280</u>	<u>\$ 51,080</u>	<u>\$ 61,124</u>	<u>\$ 116,312</u>	<u>\$ 228,796</u>

Minnesota Chippewa Tribe
Combining Schedule of Revenues, Expenses, and Changes in Net Position –
Internal Service Funds
Year Ended September 30, 2013

	Office Space	Revolving Fund	Computer/ Copy Services	Admin Pool	MCT Insurance	Total
Revenue						
Sales of business support revenues	\$ -	\$ -	\$ 30,981	\$ -	\$ -	\$ 30,981
Indirect revenue	-	-	-	879,541	-	879,541
Rental revenue	27,623	-	-	-	-	27,623
Insurance revenue	-	-	-	-	372,602	372,602
Other Income	-	13,779	-	-	-	13,779
	<u>27,623</u>	<u>13,779</u>	<u>30,981</u>	<u>879,541</u>	<u>372,602</u>	<u>1,324,526</u>
Expenses						
Current						
Personnel	7,788	-	-	425,326	-	433,114
Fringe benefits	1,115	-	-	142,301	-	143,416
Travel/training	-	-	-	19,889	-	19,889
Office expenses	417	-	1,233	21,099	258	23,007
Office and equipment rent	-	-	3,179	31,326	-	34,505
Maintenance	115,648	-	-	-	-	115,648
Depreciation	-	-	9,152	-	-	9,152
Other expenditures	-	1,688	16,573	38,627	355,423	412,311
	<u>124,968</u>	<u>1,688</u>	<u>30,137</u>	<u>678,568</u>	<u>355,681</u>	<u>1,191,042</u>
Income (loss) before transfers	(97,345)	12,091	844	200,973	16,921	133,484
Transfer In	181,499	-	-	-	-	181,499
Change in Net Position	84,154	12,091	844	200,973	16,921	314,983
Net Position (Deficit), Beginning of Year	(170,336)	(28,107)	50,236	(322,242)	85,865	(384,584)
Net Position (Deficit), End of Year	<u>\$ (86,182)</u>	<u>\$ (16,016)</u>	<u>\$ 51,080</u>	<u>\$ (121,269)</u>	<u>\$ 102,786</u>	<u>\$ (69,601)</u>

Minnesota Chippewa Tribe
Combining Schedule of Cash Flows –
Internal Service Funds
Year Ended September 30, 2013

	Office Space	Revolving Fund	Computer/ Copy Services	Admin Pool	MCT Insurance	Total
Operating Activities						
Cash received from customers	\$ 34,875	\$ 19,589	\$ 32,700	\$ 880,106	\$ 372,602	\$ 1,339,872
Cash paid for wages and benefits	(8,903)	-	-	(579,511)	907	(587,507)
Cash paid to suppliers	(207,471)	(26,767)	(20,985)	(326,438)	(352,908)	(934,569)
Net Cash from (used for) Operating Activities	(181,499)	(7,178)	11,715	(25,843)	20,601	(182,204)
Non-Capital Financing Activities						
Decrease (increase) in due from other funds	-	-	-	(34,986)	-	(34,986)
Increase (decrease) in due to other funds	-	7,178	-	60,829	-	68,007
Transfer to (from) other funds	181,499	-	-	-	-	181,499
Net Cash from (used for) Non-Capital Financing Activities	181,499	7,178	-	25,843	-	214,520
Capital and Related Financing Activities						
Purchase of equipment	-	-	(16,860)	-	-	(16,860)
Net Cash from Capital and Related Financing Activities	-	-	(16,860)	-	-	(16,860)
Net Change in Cash and Cash Equivalents	-	-	(5,145)	-	20,601	15,456
Cash and Cash Equivalents at Beginning of Year	-	-	35,139	-	71,092	106,231
Cash and Cash Equivalents at End of Year	\$ -	\$ -	\$ 29,994	\$ -	\$ 91,693	\$ 121,687
Reconciliation of Operating Income (Loss) to Net Cash from (used for) Operating Activities						
Change in net position	\$ (97,345)	\$ 12,091	\$ 844	\$ 200,973	\$ 16,921	\$ 133,484
Adjustments to reconcile operating income (loss) to cash from (used for) operating activities						
Depreciation	-	-	9,152	-	-	9,152
Changes in assets and liabilities						
Accounts receivables	7,252	4,582	1,719	565	-	14,118
Prepaid expenses and other assets	-	-	-	1,545	7,424	8,969
Accounts payables	(91,406)	(23,851)	-	(217,042)	(4,651)	(336,950)
Accrued liabilities	-	-	-	(11,884)	907	(10,977)
Net Cash from (used for) Operating Activities	\$ (181,499)	\$ (7,178)	\$ 11,715	\$ (25,843)	\$ 20,601	\$ (182,204)

Minnesota Chippewa Tribe
Combining Balance Sheet –
U.S Department of Interior Programs
September 30, 2013

	<u>Tribal Operations 503</u>	<u>Natural Resources 510</u>	<u>Johnson O'Malley (Various)</u>	<u>Total</u>
Assets				
Cash	\$ 118,578	\$ 255,409	\$ 251,340	\$ 625,327
Account receivable	11,563	-	-	11,563
Prepaid items	<u>652</u>	<u>6</u>	<u>575</u>	<u>1,233</u>
Total assets	<u>\$ 130,793</u>	<u>\$ 255,415</u>	<u>\$ 251,915</u>	<u>\$ 638,123</u>
 Liabilities and Fund Balance				
Liabilities				
Accounts payable	\$ -	\$ 3,953	\$ -	\$ 3,953
Deferred revenue	<u>130,793</u>	<u>251,462</u>	<u>251,915</u>	<u>634,170</u>
Total liabilities	<u>130,793</u>	<u>255,415</u>	<u>251,915</u>	<u>638,123</u>
 Fund Balance				
Nonspendable				
Prepaid items	652	6	575	1,233
Unassigned	<u>(652)</u>	<u>(6)</u>	<u>(575)</u>	<u>(1,233)</u>
Total fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 130,793</u>	<u>\$ 255,415</u>	<u>\$ 251,915</u>	<u>\$ 638,123</u>

Minnesota Chippewa Tribe
Combining Schedule of Revenue, Expenditures and Change in Fund Balance –
U.S Department of Interior Programs
Year Ended September 30, 2013

	Tribal Operations 503	Natural Resources 510	Johnson O'Malley (Various)	Total
Revenue				
Intergovernmental - federal	\$ 288,005	\$ 261,529	\$ 547,535	\$ 1,097,069
Contract	11,563	-	-	11,563
Total revenue	299,568	261,529	547,535	1,108,632
Expenditures				
Current				
Personnel	153,609	148,550	80,478	382,637
Fringe benefits	53,817	56,593	21,342	131,752
Travel/training	4,768	429	69,914	75,111
Office expenses	11,446	61	29,975	41,482
Office and equipment rental	20,952	-	10,674	31,626
Other contracts	-	-	2	2
Other expenditures	5,361	12,581	244,465	262,407
Total direct expenditures	249,953	218,214	456,850	925,017
Indirect costs	49,615	43,315	90,685	183,615
Total expenditures	299,568	261,529	547,535	1,108,632
Revenue over Expenditures	-	-	-	-
Fund Balance, Beginning of Year	-	-	-	-
Fund Balance, End of Year	\$ -	\$ -	\$ -	\$ -

Minnesota Chippewa Tribe
Combining Balance Sheet –
U.S. Department of Health and Human Services Programs
September 30, 2013

	Title VI Nutrition Grant 620	NEW/ STRIDE Program 621	Caregiver Support 622	MFIP 808	Title III 830	MIAAA 831	Nutrition Support Services 832
Assets							
Cash	\$ 125	\$ -	\$ 70	\$ -	\$ 51,521	\$ -	\$ -
Accounts receivable	-	106	-	10,373	3,404	54,900	7,954
Grants receivable	8,138	146,494	294	116,028	-	83,011	-
Prepaid items	-	-	-	970	656	-	-
Total assets	\$ 8,263	\$ 146,600	\$ 364	\$ 127,371	\$ 55,581	\$ 137,911	\$ 7,954
Liabilities and Fund Balance							
Liabilities							
Checks written in excess of bank balance	\$ -	\$ 144,574	\$ -	\$ 127,371	\$ -	\$ 54,900	\$ 9,462
Accounts payable	8,263	2,026	364	-	430	83,011	1,092
Deferred revenue	-	-	-	-	55,151	-	-
Total liabilities	8,263	146,600	364	127,371	55,581	137,911	10,554
Fund Balance (Deficit)							
Nonspendable							
For prepaid items	-	-	-	970	656	-	-
Unassigned	-	-	-	(970)	(656)	-	(2,600)
Total fund balance (deficit)	-	-	-	-	-	-	(2,600)
Total liabilities and fund balance (deficit)	\$ 8,263	\$ 146,600	\$ 364	\$ 127,371	\$ 55,581	\$ 137,911	\$ 7,954

Minnesota Chippewa Tribe
Combining Balance Sheet –
U.S. Department of Health and Human Services Programs
September 30, 2013

Caregiver 835	Grandkin 838	Title III-D 840	Integrated System Development 841	Total
\$ 27,791	\$ 4,162	\$ -	\$ -	\$ 83,669
348	-	3,578	-	80,663
-	253	8,860	13,667	376,745
610	-	-	738	2,974
<u>\$ 28,749</u>	<u>\$ 4,415</u>	<u>\$ 12,438</u>	<u>\$ 14,405</u>	<u>\$ 544,051</u>
\$ 28,749	\$ -	\$ 12,438	\$ 5,994	\$ 383,488
-	-	-	8,411	103,597
-	4,415	-	-	59,566
<u>28,749</u>	<u>4,415</u>	<u>12,438</u>	<u>14,405</u>	<u>546,651</u>
610	-	-	738	2,974
(610)	-	-	(738)	(5,574)
-	-	-	-	(2,600)
<u>\$ 28,749</u>	<u>\$ 4,415</u>	<u>\$ 12,438</u>	<u>\$ 14,405</u>	<u>\$ 544,051</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, 2013

	Title VI Nutrition Grant 620	NEW/ STRIDE Program 621	MFIP 808	Title III 830	MIAAA 831	Nutrition Support Services 832
Revenue						
Intergovernmental - federal	\$ -	\$ 450,712	\$ 534,444	\$ 70,051	\$ 345,985	\$ 5,827
Other	-	900	-	3,889	71,462	-
Total revenue	<u>-</u>	<u>451,612</u>	<u>534,444</u>	<u>73,940</u>	<u>417,447</u>	<u>5,827</u>
Expenditures						
Personnel	-	143,158	234,554	26,826	29,595	-
Fringe benefits	-	45,010	78,145	10,486	7,975	-
Travel/training	-	25,466	24,710	17,393	-	-
Office expenses	-	10,157	27,030	4,682	28	-
Pass through funds	-	-	-	11,000	373,014	5,827
Office and equipment rent	-	19,102	23,924	3,513	-	-
Other expenditures	-	134,750	66,061	40	-	-
Total direct expenditures	<u>-</u>	<u>377,643</u>	<u>454,424</u>	<u>73,940</u>	<u>410,612</u>	<u>5,827</u>
Indirect costs	<u>-</u>	<u>73,969</u>	<u>80,020</u>	<u>-</u>	<u>6,835</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>451,612</u>	<u>534,444</u>	<u>73,940</u>	<u>417,447</u>	<u>5,827</u>
Revenue over (Under)						
Expenditures	-	-	-	-	-	-
Fund Balance, Beginning of Year	<u>-</u>	<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>	<u>\$ (2,600)</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, 2013

Kinship Caregiver 833	Caregiver 835	SHIP/CMS 836	Grandkin 838	Title III-D 840	Integrated System Development 841	Total
\$ 151	\$ 29,605	\$ 1,470	\$ 253	\$ 8,926	\$ 27,717	\$ 1,475,141
460	4,861	-	-	-	-	81,572
611	34,466	1,470	253	8,926	27,717	1,556,713
-	13,209	-	-	3,889	10,806	462,037
-	5,482	-	-	2,836	5,220	155,154
611	10,327	223	253	-	1,904	80,887
-	725	48	-	-	1,498	44,168
-	-	-	-	-	-	389,841
-	4,693	-	-	1,235	3,674	56,141
-	30	1,199	-	966	-	203,046
611	34,466	1,470	253	8,926	23,102	1,391,274
-	-	-	-	-	4,615	165,439
611	34,466	1,470	253	8,926	27,717	1,556,713
-	-	-	-	-	-	-
-	-	-	-	-	-	(2,600)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (2,600)

Minnesota Chippewa Tribe
Statement of Changes in Fiduciary Net Position
September 30, 2013

	<u>10/1/2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>9/30/2013</u>
Lands Claim Settlement Fund				
Assets				
Cash held with fiscal agent	<u>\$ 28,587,871</u>	<u>\$ 5,163</u>	<u>\$ 28,593,034</u>	<u>\$ -</u>
Liabilities				
Settlement fund payable	<u>\$ 28,587,871</u>	<u>\$ 5,163</u>	<u>\$ 28,593,034</u>	<u>\$ -</u>

Minnesota Chippewa Tribe
 Schedule of Expenditures of Federal Awards
 Year Ended September 30, 2013

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	\$	299,566
Johnson O'Malley	15.130	*	547,535
Natural resources	15.035		<u>261,528</u>
Total U.S. Department of Interior			\$ 1,108,629
U.S. Department of Health and Human Services			
Direct programs			
NEW Program, 10/12 - 12/12	93.594	\$	343,940
NEW Program, 07/13 - 9/13	93.594		<u>107,673</u>
Total CFDA #93.594			451,613
Disease Prevention/Health Promotion, 10/12 - 12/12	93.043		4,339
Disease Prevention/Health Promotion, 1/13 - 9/13	93.043		<u>4,587</u>
			8,926
Integrated System Development, 10/12 - 12/12	93.048		8,411
Integrated System Development, 1/13 - 9/13	93.048		<u>19,306</u>
			27,717
Caregiver Support, 10/12 - 12/12	93.052		9,879
Caregiver Support, 1/13 - 9/13	93.052		<u>24,587</u>
Total CFDA #93.052			34,466
Special Programs passed through for the MN Board of Aging			
Title III, Part B Grants for Supportive Services and Senior Centers, 10/12 - 12/12	93.044	*	18,157
Title III, Part B Grants for Supportive Services and Senior Centers, 1/13 - 9/13	93.044	*	55,783
AAA Administration, 10/12 - 12/12	93.044	*	13,574
AAA Administration, 1-13 - 9/13	93.044	*	<u>30,857</u>
Total CFDA #93.044			<u>118,371</u>
Home Delivered/Congregate Meals, 10/12 - 12/12	93.045	*	72,394
Home Delivered/Congregate Meals, 1/13 - 9/13	93.045	*	<u>187,447</u>
Total CFDA #93.045			<u>259,841</u>
NSIP - Home Delivered/Congregate Meals, 10/12 - 12/12	93.053	*	22,463
NSIP - Home Delivered/Congregate Meals, 1/13 - 9/13	93.053	*	<u>28,141</u>
Total CFDA #93.053			<u>50,604</u>
Total Special Programs passed through the MN Board of Aging Cluster			428,816

Minnesota Chippewa Tribe
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2013

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, 10/12 - 12/12	93.558	*	156,914	
Minnesota Family Investment Program, 1/13 - 9/13	93.558	*	<u>377,530</u>	
Total CFDA #93.558				<u>534,444</u>
Total U.S. Department of Health and Human Services				1,485,982
U.S. Department of Commerce Direct Programs Economic Development Planning, 10/12 - 12/12	11.302		121,293	
Economic Development Planning, 1/13 - 9/13	11.302		<u>55,831</u>	
Total CFDA #11.302				<u>177,124</u>
Total U.S. Department of Commerce				177,124
Environmental Protection Agency Direct Programs General Assistance Program	66.926			<u>78,314</u>
Total Environmental Protection Agency				78,314
U.S. Department of Agriculture Passed-through State of Minnesota Department of Human Services Food Stamp Nutrition Education	10.561	*		<u>568,333</u>
Total U.S. Department of Agriculture				568,333
U.S. Department of Energy Direct Programs ARRA - Tribal Energy Efficiency & Conservation	81.128	*		<u>405,562</u>
Total U.S. Department of Energy				405,562
U.S. Department of Labor Passed-through State of Minnesota Economic Security Senior Community Service Employment, 10/112 - 6/113	17.235		45,108	
Senior Community Service Employment, 7/13 - 9/13	17.235		<u>12,418</u>	
Total CFDA #17.235				<u>57,526</u>
Total U.S. Department of Labor				<u>57,526</u>
Total Federal Financial Assistance				<u>\$ 3,881,470</u>

* Denotes a major program

Note A – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the 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*. The Minnesota Chippewa Tribe received federal awards both directly from federal agencies and indirectly through pass-through entities. Federal financial assistance provided to a subrecipient is treated as an expenditure when it is paid to the subrecipient.

Note B – Significant Accounting Policies

Governmental fund types account for the Minnesota Chippewa Tribe’s federal grant activity. Therefore, expenditures in the schedule of expenditures of federal awards are recognized on the modified accrual basis – when they become a demand on current available financial resources. The Minnesota Chippewa Tribe’s summary of significant accounting policies is presented in Note 1 in the Minnesota Chippewa Tribe’s basic financial statements.

Note C - Subrecipients

Of the federal expenditures presented in the accompanying schedule of expenditures of federal awards, the Tribe provided federal awards to subrecipients as follows:

<u>Program</u>	<u>CFDA Number</u>	<u>Amount</u>
Food Stamp Nutrition Education	10.551	\$ 365,062
Home Delivered/Congregate Meals	93.045 / 93.053	373,016
Title III, Part B Trans/Homemaker	93.044	11,000
ARRA - Tribal Energy Efficiency & Conservation	81.128	405,563
General Assistance Program	66.926	<u>73,424</u>
Total		<u>\$ 1,228,065</u>



**Independent Auditor’s 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, 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, 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, (the Tribe) as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Tribe’s basic financial statements and have issued our report thereon dated June 26, 2014.

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 2013-A and 2013-B described in the accompanying schedule of findings and questioned costs to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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*.

Tribe's Response to Finding

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Fargo, North Dakota
June 26, 2014



Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; Required by OMB Circular A-133

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

Report on Compliance for Each Major Federal Program

We have audited Minnesota Chippewa Tribe's compliance 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 Minnesota Chippewa Tribe's major federal programs for the year ended September 30, 2013. Minnesota Chippewa Tribe's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on the compliance for each of Minnesota Chippewa Tribe's major federal programs based on our audit of the types of compliance requirements referred to above. 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 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 Minnesota Chippewa 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Minnesota Chippewa Tribe's compliance.

Opinion on Each Major Federal Program

In our opinion, Minnesota Chippewa Tribe complied, in all material respects, with the compliance 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, 2013.

Report on Internal Control over Compliance

Management of the Minnesota Chippewa Tribe is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered Minnesota Chippewa Tribe's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 Minnesota Chippewa Tribe's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, 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 compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of 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 internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses and significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Fargo, North Dakota
June 26, 2014

No findings reported in the prior year.

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

Type of Auditor's Report Issued	Unmodified
Internal Control over Financial Reporting	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None reported
Noncompliance Material to Financial Statements Noted?	No

FEDERAL AWARDS

Internal Control over Major Programs	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Type of Auditor's Report Issued on Compliance for Major Programs	Unmodified
Any Audit Findings Disclosed That Are Required to be Reported in Accordance with Section 510(A) of <i>OMB Circular A-133</i> ?	No

Identification of Major Programs

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Food Stamp Nutrition Education	10.561
Johnson O'Malley	15.130
ARRA - Tribal Energy, Efficiency, and Conservation	81.128
Aging Cluster	93.044, 93.045, 93.053
Minnesota Family Investment Program	93.558

Dollar Threshold used to Distinguish Between Type A and Type B Programs	\$ 300,000
Auditee Qualified as Low-Risk Auditee?	No

Section II – Financial Statement Findings

Material Weakness

2013-A Significant Journal Entries

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

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.

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

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

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.

Material Weakness

2013-B Preparation of Financial Statements

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

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

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

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.

Section III – Federal Award Findings and Questioned Costs

No findings reported in the current year.