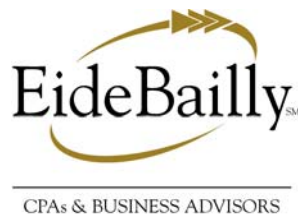




Financial Statements
September 30, 2014

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, 2014, 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, 2014, 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 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 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 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 29, 2015, 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 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* in considering the Tribe's internal control over financial reporting and compliance.



Fargo, North Dakota
June 29, 2015

Minnesota Chippewa Tribe
Statement of Net Position
September 30, 2014

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 678,639	\$ 2,540,955	\$ 3,219,594
Investments	1,001,296	11,615,145	12,616,441
Internal balances	19,293	(19,293)	-
Account receivable, net	249,262	264,451	513,713
Loans receivable, net	-	30,420,179	30,420,179
Grant receivable	494,137	-	494,137
Other receivables and accrued interest	45,851	117,116	162,967
Prepaid items	71,004	-	71,004
Other assets, net	-	3,019,889	3,019,889
Capital assets			
Not being depreciated	1,193,542	5,710	1,199,252
Being depreciated, net of depreciation	819,327	1,216,718	2,036,045
Total assets	<u>4,572,351</u>	<u>49,180,870</u>	<u>53,753,221</u>
Liabilities			
Accounts payable	262,415	248,620	511,035
Accrued liabilities	35,354	33,627	68,981
Advances from grants	993,170	-	993,170
Escrowed liabilities	-	350,610	350,610
Noncurrent liabilities			
Due within one year	91,948	-	91,948
Due in more than one year	-	34,981,245	34,981,245
Total liabilities	<u>1,382,887</u>	<u>35,614,102</u>	<u>36,996,989</u>
Net Position			
Investment in capital assets	2,012,869	1,222,428	3,235,297
Unrestricted	1,176,595	12,344,340	13,520,935
Total net position	<u>\$ 3,189,464</u>	<u>\$ 13,566,768</u>	<u>\$ 16,756,232</u>

Minnesota Chippewa Tribe
Statement of Activities
Year Ended September 30, 2014

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	\$ 1,661,057	\$ 233,764	\$ 1,256,744	\$ (170,549)	\$ -	\$ (170,549)
Education	319,449	-	319,449	-	-	-
Human services	2,486,374	-	2,556,561	70,187	-	70,187
Conservation of natural resources	266,390	-	322,677	56,287	-	56,287
Economic development	161,961	-	217,433	55,472	-	55,472
Other	222,792	-	51,127	(171,665)	-	(171,665)
Total governmental activities	<u>5,118,023</u>	<u>233,764</u>	<u>4,723,991</u>	<u>(160,268)</u>	<u>-</u>	<u>(160,268)</u>
Business-type activities:						
Finance Corporation	<u>1,267,535</u>	<u>1,420,110</u>	<u>-</u>	<u>-</u>	<u>152,575</u>	<u>152,575</u>
Total primary government	<u>\$ 6,385,558</u>	<u>\$ 1,653,874</u>	<u>\$ 4,723,991</u>	<u>(160,268)</u>	<u>152,575</u>	<u>(7,693)</u>
Change in net position				(160,268)	152,575	(7,693)
Net position - beginning				<u>3,349,732</u>	<u>13,414,193</u>	<u>16,763,925</u>
Net position - ending				<u>\$ 3,189,464</u>	<u>\$ 13,566,768</u>	<u>\$ 16,756,232</u>

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

Minnesota Chippewa Tribe
Balance Sheet – Governmental Funds
September 30, 2014

	General Fund	Department of Interior	Department of Health and Human Services	Food Stamp Nutrition Education	Other Governmental Funds	Total Governmental Funds
Assets						
Cash	\$ 40,463	\$ 433,267	\$ 57,304	\$ -	\$ 146,392	\$ 677,426
Investments	1,001,296	-	-	-	-	1,001,296
Accounts receivable	27,569	-	54,248	-	162,206	244,023
Grant receivable	-	-	276,901	217,236	-	494,137
Due from other funds	557,973	-	750	-	-	558,723
Other receivables	-	-	-	-	45,851	45,851
Prepaid items	-	7,008	2,950	22,192	331	32,481
Total assets	\$ 1,627,301	\$ 440,275	\$ 392,153	\$ 239,428	\$ 354,780	\$ 3,053,937
Liabilities and Fund Balance						
Liabilities						
Due to other funds	\$ -	\$ -	\$ 327,238	\$ 42,087	\$ 189,398	\$ 558,723
Accounts payable	20,933	3,953	9,349	192,585	15,979	242,799
Accrued liabilities	-	-	3,945	4,756	2,166	10,867
Advances from grants	503,719	436,322	53,129	-	-	993,170
Total liabilities	524,652	440,275	393,661	239,428	207,543	1,805,559
Fund Balance (Deficit)						
Nonspendable						
For prepaid items	-	7,008	2,950	22,192	331	32,481
Committed						
For employee loans	-	-	-	-	63,514	63,514
For wisdom steps	-	-	-	-	54,470	54,470
For timber appraisal	-	-	-	-	60,000	60,000
For workshops	-	-	-	-	10,334	10,334
Unassigned	1,102,649	(7,008)	(4,458)	(22,192)	(41,412)	1,027,579
Total fund balance (deficit)	1,102,649	-	(1,508)	-	147,237	1,248,378
Total liabilities and fund balance	\$ 1,627,301	\$ 440,275	\$ 392,153	\$ 239,428	\$ 354,780	\$ 3,053,937

Minnesota Chippewa Tribe
Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position
September 30, 2014

Total Funds Balances - Governmental Funds	\$ 1,248,378
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.	1,999,231
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>(58,145)</u>
Total Net Position - Governmental Activities	<u><u>\$ 3,189,464</u></u>

Minnesota Chippewa Tribe
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
Year Ended September 30, 2014

	General Fund	Department of Interior	Department of Health and Human Services	Food Stamp Nutrition Education	Other Governmental Funds	Total Governmental Funds
Revenues						
Intergovernmental - federal	\$ -	\$ 714,194	\$ 1,576,475	\$ 657,293	\$ 528,061	\$ 3,476,023
Program income	-	-	-	-	5,850	5,850
Settlement income	150,000	-	-	-	-	150,000
Liquor permits	24,525	-	-	-	-	24,525
Contract	-	71,187	-	-	-	71,187
Other	11,888	-	126,947	37,606	95,958	272,399
Total revenues	<u>186,413</u>	<u>785,381</u>	<u>1,703,422</u>	<u>694,899</u>	<u>629,869</u>	<u>3,999,984</u>
Expenditures						
Personnel	43,230	346,541	536,075	85,310	163,523	1,174,679
Fringe benefits	8,895	107,041	157,796	28,717	39,926	342,375
Travel/training	66,451	38,575	79,213	30,685	86,924	301,848
Office expense	7,504	50,766	49,661	69,950	35,382	213,263
Pass-through funds	-	-	391,125	424,255	126,186	941,566
Office and equipment rental	4,395	30,552	69,017	9,493	5,762	119,219
Other expenditures	152,236	90,246	235,837	106	105,494	583,919
Capital outlay	-	-	3,048	5,268	-	8,316
Total direct expenditures	<u>282,711</u>	<u>663,721</u>	<u>1,521,772</u>	<u>653,784</u>	<u>563,197</u>	<u>3,685,185</u>
Indirect costs	<u>33,869</u>	<u>121,660</u>	<u>180,558</u>	<u>41,115</u>	<u>47,202</u>	<u>424,404</u>
Total expenditures	<u>316,580</u>	<u>785,381</u>	<u>1,702,330</u>	<u>694,899</u>	<u>610,399</u>	<u>4,109,589</u>
Net Change in Fund Balance	(130,167)	-	1,092	-	19,470	(109,605)
Fund Balance (Deficit), Beginning of Year	<u>1,232,816</u>	<u>-</u>	<u>(2,600)</u>	<u>-</u>	<u>127,767</u>	<u>1,357,983</u>
Fund Balance (Deficit), End of Year	<u>\$ 1,102,649</u>	<u>\$ -</u>	<u>\$ (1,508)</u>	<u>\$ -</u>	<u>\$ 147,237</u>	<u>\$ 1,248,378</u>

Minnesota Chippewa Tribe
Reconciliation of the Changes in Funds Balances of
Governmental Funds to the Statement of Activities
Year Ended September 30, 2014

Net Change in Funds Balances - Total Governmental Funds	\$ (109,605)
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	(62,119)
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>11,456</u>
Change in Net Position of Governmental Activities	<u><u>\$ (160,268)</u></u>

Minnesota Chippewa Tribe
Statement of Net Position –
Proprietary Funds
September 30, 2014

	Business-Type Activity - Enterprise Fund <u>Finance Corporation</u>	Governmental Activities - Internal <u>Service Funds</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 2,540,955	\$ 1,213
Investments, current portion	2,508,883	-
Accounts receivable	264,451	5,239
Due from other funds	-	177,442
Prepaid expenses and other assets	-	38,523
Accrued interest receivable	117,116	-
Mortgage loans receivable, current portion	1,837,577	-
Business loans receivable, current portion	94,145	-
Installment loans receivable, current portion	19,261	-
Total current assets	7,382,388	222,417
Non-Current Assets		
Investments, net of current portion	9,106,262	-
Mortgage loans receivable, net of current portion and allowance	27,299,694	-
Business loans receivable, net of current portion and allowance	347,512	-
Installment loans receivable, net of current portion	821,990	-
Capital assets, net of accumulated depreciation		
Land	5,710	-
Building and equipment	1,216,718	13,638
Real estate acquired by foreclosures	3,019,889	-
Total non-current assets	41,817,775	13,638
Total assets	49,200,163	236,055
Liabilities and Net Position		
Current Liabilities		
Accounts payable	248,620	19,616
Accrued liabilities	33,627	24,487
Escrowed liabilities	350,610	-
Due to other funds	19,293	158,149
Noncurrent liabilities		
Due within one year	-	91,948
Due in more than one year	34,981,245	-
Total liabilities	35,633,395	294,200
Net Position (Deficit)		
Investment in capital assets	1,222,428	13,638
Unrestricted	12,344,340	(71,783)
Total net position (deficit)	\$ 13,566,768	\$ (58,145)

Minnesota Chippewa Tribe
Statement of Revenues, Expenses, and Changes in Net Position –
Proprietary Funds
Year Ended September 30, 2014

	Business-Type Activity - Enterprise Fund Finance Corporation	Governmental Activities - Internal Service Funds
Revenue		
Housing revenue	\$ 1,705,415	\$ -
Indirect revenue	-	605,178
Rental revenue	-	39,515
Sales of business support services	-	31,393
Other revenue	-	359,078
	1,705,415	1,035,164
Total operating revenue	1,705,415	1,035,164
Less direct costs of revenue	408,632	-
Net revenue	1,296,783	1,035,164
Expenses		
Current		
Personnel	661,475	351,509
Fringe benefits	190,594	119,400
Depreciation	90,470	6,060
Travel/training	53,347	22,872
Office expenses	38,378	28,624
Office and equipment rent	-	30,802
Maintenance	-	53,516
Other expenditures	52,498	410,925
	1,086,762	1,023,708
Total direct expenses	1,086,762	1,023,708
Indirect costs	180,773	-
Total expenses	1,267,535	1,023,708
Income before nonoperating activity	29,248	11,456
Nonoperating Activities		
Investment income	123,327	-
Change in Net Position	152,575	11,456
Net Position (Deficit), Beginning of Year	13,414,193	(69,601)
Net Position (Deficit), End of Year	\$ 13,566,768	\$ (58,145)

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, 2014

	Business-Type Activity - Enterprise Fund Finance Corporation	Governmental Activities - Internal Service Funds
Operating Activities		
Cash received from customers	\$ 1,761,029	\$ 1,032,821
Cash paid for wages and benefits	(848,200)	(476,716)
Cash paid to suppliers	(835,480)	(540,960)
Net Cash from Operating Activities	77,349	15,145
Non-Capital Financing Activities		
Proceeds from other funds	-	44,675
Payments to other funds	-	(180,294)
Net Cash from Non-Capital Financing Activities	-	(135,619)
Capital and Related Financing Activities		
Cash paid for repairs on repossed property	(110,753)	-
Cash received from sale of repossed property	485,137	-
Cash paid for purchase of equipment	(134,464)	-
Net Cash from Capital and Related Financing Activities	239,920	-
Investing Activities		
Purchase of investments	(1,579,148)	-
Proceeds from investments	654,667	-
Investment income	93,703	-
Disbursement for loans	(1,685,423)	-
Proceeds from loan payments	2,658,173	-
Net Cash from Investing Activities	141,972	-
Net Change in Cash and Cash Equivalents	459,241	(120,474)
Cash and Cash Equivalents at Beginning of Year	2,081,714	121,687
Cash and Cash Equivalents at End of Year	\$ 2,540,955	\$ 1,213

Minnesota Chippewa Tribe
Statement of Cash Flows –
Proprietary Funds
Year Ended September 30, 2014

	Business-Type Activity - Enterprise Fund Finance Corporation	Governmental Activities - Internal Service Funds
Reconciliation of Operating Income to Net Cash from Operating Activities		
Operating Income	\$ 29,248	\$ 11,456
Adjustments to reconcile increase in operating income to cash from operating activities		
Depreciation	90,470	6,060
Unrealized loss on investments	29,624	-
Gain on sale of land/houses	36,875	-
Changes in assets and liabilities		
Accounts receivables	632	(3,571)
Accrued interest receivable	(11,517)	-
Prepaid expenses and other assets	1,372	(6,428)
Accounts payables	(61,245)	13,435
Accrued liabilities	3,869	(5,807)
Escrowed liabilities	(41,979)	-
Net Cash from Operating Activities	\$ 77,349	\$ 15,145

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.

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 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. Separate statements for each fund category – governmental and proprietary– 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.

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 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, 2014, 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 net of 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

Advances from Grants

The government reports advances from grants on its balance sheet. Advances from grants arises when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Advances from grants 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 advances from grants 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, an initial contribution was made and 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 18.33% 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 represents 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.

When both restricted and unrestricted resources are available for us, it is the Tribe's policy to use restricted resources first then unrestricted resources as they are needed.

When committed, assigned or unassigned resources are available for use, it is the Tribe's policy to use resources in the following order; 1) committed, 2) assigned, 3) unassigned

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, 2014, the Tribe's deposits were adequately insured or properly collateralized by pledged securities.

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 \$237,625 at September 30, 2014.
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, 2014. The Tribe does not have a formal policy that limits custodial credit.

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 does not have a formal policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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, 2014 , consist of the following:

	Fair Value	Maturities in Years	
		Less than 1	1 to 5
Governmental activities			
US Government Sponsored Issues	\$ 1,001,296	\$ 1,001,296	\$ -
Business-type activities			
US Government Sponsored Issues	577,294	-	577,294
Certificate of deposit	6,367,472	1,715,172	4,652,300
Municipal bonds	4,670,379	793,711	3,876,668
Total business-type	<u>11,615,145</u>	<u>2,508,883</u>	<u>9,106,262</u>
Total investments	<u>\$ 12,616,441</u>	<u>\$ 3,510,179</u>	<u>\$ 9,106,262</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, 2014.

Concentration 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. There are no investments in anyone issuer that is in excess of 5% of total investments.

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

Mortgage Loans Receivable

As of September 30, 2014, the Finance Corporation had 576 outstanding mortgage 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 Finance Corporation must use these funds in a manner approved by MHFA and must revolve repaid principal.

The mortgage loans receivable consisted of the following at September 30, 2014:

Mortgage loans receivable	\$ 24,649,048
Duluth renovating loan receivable	74,494
Mortgage receivable - FHA	9,733,145
Rental development loans	2,190,321
Revolving loan fund	(6,975,272)
Allowance for doubtful accounts	(534,465)
Total loans, net of allowance	29,137,271
Less current portion or loan receivable	(1,837,577)
	\$ 27,299,694

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 \$1,341,261 have been made as for September 30, 2014.

As of September 30, 2014, the Finance Corporation had 13 outstanding business loans. These loans are secured by equipment and real estate.

The business loan receivable consisted of the following as of September 30, 2014:

Business loan receivable	\$ 515,123
Allowance for doubtful accounts	(73,466)
Total loans, net of allowance	441,657
Less current portion or loan receivable	(94,145)
Total loans, net of allowance	\$ 347,512

Installment Loans Receivable

As of September 30, 2014, the Finance Corporation had outstanding installment loans with a total receivable balance of \$841,251. 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, 2014, 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:

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	\$ 34,678,346	\$ 228,836

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 payments returned	-	(41,700)	(41,700)
Advances from MHFA as of September 30, 2014	\$ 34,678,346	\$ 302,899	\$ 34,981,245

Note 5 - Operating Lease

The Finance Corporation rents 22 single family real estate properties to individuals on a month to month basis. Real estate property under operating leases was valued at \$2,842,500 at September 30, 2014, and is included in Real Estate Acquired by Foreclosure at the lower rate of cost or market value. Total rental income received on leased real estate property was \$172,542 for the year ended September 30, 2014.

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, 2014 was \$128,362.

Note 6 - Capital Assets

Capital asset activity for the year ended September 30, 2014 is as follows:

	Balance October 1, 2013	Additions	Deletions	Balance September 30, 2014
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	397,132	-	-	397,132
Vehicles	1,500	-	-	1,500
Total capital assets being depreciated	1,512,573	-	-	1,512,573
Less accumulated depreciation for:				
Buildings	251,333	55,879	-	307,212
Equipment	374,882	9,652	-	384,534
Vehicles	1,500	-	-	1,500
Total accumulated depreciation	627,715	65,531	-	693,246
Total capital assets being depreciated, net	884,858	(65,531)	-	819,327
Governmental activities capital assets, net	\$ 2,078,400	\$ (65,531)	\$ -	\$ 2,012,869
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	134,464	-	400,830
Total capital assets being depreciated	1,932,600	134,464	-	2,067,064
Less accumulated depreciation for:				
Equipment	29,500	4,764	-	34,264
MCT buildings	540,000	80,000	-	620,000
Other buildings and improvements	190,376	5,706	-	196,082
Total accumulated depreciation	759,876	90,470	-	850,346
Total capital assets being depreciated, net	1,172,724	43,994	-	1,216,718
Business-type activities capital assets, net	\$ 1,178,434	\$ 43,994	\$ -	\$ 1,222,428

Depreciation expense for the year ended September 30, 2014 was charged to the following functions/programs:

Governmental activities:	
General government	\$ 55,879
Conservation of natural resources	2,892
Subtotal	58,771
Internal Service	6,760
Total depreciation expense - governmental activities	\$ 65,531
Business-type activities:	
Finance Corporation	\$ 90,470

Note 7 - Interfund Balances

A summary of the Tribe's interfund balances as of September 30, 2014 is as follows:

	Due from other funds	Due to other funds
Department of Health and Human Services	\$ 750	\$ 327,238
Food Stamp Nutrition Education	-	42,087
Nonmajor Governmental Funds	-	189,398
General Fund	557,973	-
Business-Type Activities - Finance Corporation	-	19,293
Internal Service Funds	177,442	158,149
	\$ 736,165	\$ 736,165

The Department of Health and Human Services Fund, Food Stamp Nutrition Fund, and Nonmajor Governmental Funds have a due to the General Fund for reimbursement of borrowed funds. The Finance Corporation has a due to the Internal Service Fund for indirect costs. The Finance Corporation is considered an enterprise fund within the Tribe.

Note 8 - Long-Term Liabilities

Changes in long-term liabilities during the year ended September 30, 2014 are as follows:

	Balance October 1, 2013	Additions	Retirements	Balance September 30, 2014	Due Within One Year
Governmental activities					
Compensated absences	\$ 97,932	\$ 103,864	\$ 109,848	\$ 91,948	\$ 91,948

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 (3.25% at September 30, 2014). There was no outstanding balance on this line as of September 30, 2014. The line of credit is due on demand and expires on October 31, 2014.

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 \$100,429, \$101,438, and \$106,827 for the fiscal years ended September 30, 2014, 2013 and 2012.

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, 2014:

Governmental Funds	
Major Fund	
Department of Health and Human Services	\$ (1,508)
Nonmajor Fund	
Water Analysis	-
Rural Business Enterprise	(131)
Blandin Foundation	-
Business Development	(12,340)
Survey Blood Degree	(28,502)
Internal Service Funds	
Office Space	(109,145)
Administrative Pool	(121,386)
Revolving Fund	(16,016)

Management intends to restore the deficit fund balances. 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.



Supplementary Information
September 30, 2014

Minnesota Chippewa Tribe

Minnesota Chippewa Tribe
Combining Balance Sheet –
Nonmajor Governmental Funds
September 30, 2014

	Employee Loan Fund 103	Wisdom Steps 113	MIAAA Workshops 115	Timber Sale 119	Active Workplace 122	Business Development 127	Survey Blood Degree 129	Wisdom Steps Board 132	Wisdom Steps Integrated Systems 133
Assets									
Cash	\$ 17,663	\$ 325	\$ 12,808	\$ 60,000	\$ 435	\$ -	\$ -	\$ 55,161	\$ -
Accounts receivable	-	-	-	-	-	-	-	-	29,563
Other receivables	45,851	-	-	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	60	-	-	-
Total assets	\$ 63,514	\$ 325	\$ 12,808	\$ 60,000	\$ 435	\$ 60	\$ -	\$ 55,161	\$ 29,563
Liabilities and Fund Balance									
Liabilities									
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,400	\$ 28,502	\$ -	\$ 26,988
Accounts payable	-	16	743	-	-	-	-	1,000	2,575
Accrued liabilities	-	-	2,166	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-	-
Total liabilities	-	16	2,909	-	-	12,400	28,502	1,000	29,563
Fund Balance (Deficit)									
Nonspendable									
For prepaid items	-	-	-	-	-	60	-	-	-
Committed									
For employee loans	63,514	-	-	-	-	-	-	-	-
For wisdom steps	-	309	-	-	-	-	-	54,161	-
For timber appraisal	-	-	-	60,000	-	-	-	-	-
For workshops	-	-	9,899	-	435	-	-	-	-
Unassigned	-	-	-	-	-	(12,400)	(28,502)	-	-
Total fund balance (deficit)	63,514	309	9,899	60,000	435	(12,340)	(28,502)	54,161	-
Total liabilities and fund balance	\$ 63,514	\$ 325	\$ 12,808	\$ 60,000	\$ 435	\$ 60	\$ -	\$ 55,161	\$ 29,563

Minnesota Chippewa Tribe
Combining Balance Sheet –
Nonmajor Governmental Funds
September 30, 2014

	Cobell Probate 134	Blandin Foundation 601	Economic Development 602	Rural Business Enterprise 661	Energy Conservation 740	General Assistance 755	Senior Comm Srcv Employ (SCEP) 810	Total Nonmajor Governmental Funds
Assets								
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 146,392
Accounts receivable	10,304	-	72,250	-	-	47,248	2,841	162,206
Other receivables	-	-	-	-	-	-	-	45,851
Prepaid items	50	-	221	-	-	-	-	331
Total assets	\$ 10,354	\$ -	\$ 72,471	\$ -	\$ -	\$ 47,248	\$ 2,841	\$ 354,780
Liabilities and Fund Balance								
Liabilities								
Due to other funds	\$ 10,354	\$ -	\$ 72,471	\$ 131	\$ 108	\$ 35,603	\$ 2,841	\$ 189,398
Accounts payable	-	-	-	-	-	11,645	-	15,979
Accrued liabilities	-	-	-	-	-	-	-	2,166
Deferred revenue	-	-	-	-	-	-	-	-
Total liabilities	10,354	-	72,471	131	108	47,248	2,841	207,543
Fund Balance (Deficit)								
Nonspendable								
For prepaid items	50	-	221	-	-	-	-	331
Committed								
For employee loans	-	-	-	-	-	-	-	63,514
For wisdom steps	-	-	-	-	-	-	-	54,470
For timber appraisal	-	-	-	-	-	-	-	60,000
For workshops	-	-	-	-	-	-	-	10,334
Unassigned	(50)	-	(221)	(131)	(108)	-	-	(41,412)
Total fund balance (deficit)	-	-	-	(131)	(108)	-	-	147,237
Total liabilities and fund balance	\$ 10,354	\$ -	\$ 72,471	\$ -	\$ -	\$ 47,248	\$ 2,841	\$ 354,780

Minnesota Chippewa Tribe
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Nonmajor Governmental Funds
Year Ended September 30, 2014

	Employee Loan Fund 103	Wisdom Steps 113	MIAAA Workshops 115	Timber Sale 119	Active Workplace 122	Business Development 127	Survey Blood Degree 129	Diabetes Screening Awareness 130	Wisdom Steps 132
Revenue									
Intergovernmental - federal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Program income	5,850	-	-	-	-	-	-	-	-
Other	8	1,872	31,984	-	1,198	-	-	-	53,686
Total revenue	5,858	1,872	31,984	-	1,198	-	-	-	53,686
Expenditures									
Personnel	-	4,295	-	-	-	19,297	-	-	-
Fringe benefits	-	921	-	-	-	8,970	-	-	-
Travel/training	-	-	23,310	-	1,939	1,621	-	393	37,568
Office expenses	-	113	1,649	-	449	987	28,501	-	548
Pass-through funds	-	-	-	-	-	-	-	-	7,610
Office and equipment rental	-	-	-	-	-	-	-	-	-
Other expenditures	2,753	-	-	-	-	-	5,594	-	7,871
Total direct expenditures	2,753	5,329	24,959	-	2,388	30,875	34,095	393	53,597
Indirect costs	-	-	-	-	-	-	-	170	-
Total expenditures	2,753	5,329	24,959	-	2,388	30,875	34,095	563	53,597
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,105	(3,457)	7,025	-	(1,190)	(30,875)	(34,095)	(563)	89
Fund Balance (Deficit), Beginning of Year	60,409	3,766	2,874	60,000	1,625	18,535	5,593	563	54,072
Fund Balance (Deficit), End of Year	<u>\$ 63,514</u>	<u>\$ 309</u>	<u>\$ 9,899</u>	<u>\$ 60,000</u>	<u>\$ 435</u>	<u>\$ (12,340)</u>	<u>\$ (28,502)</u>	<u>\$ -</u>	<u>\$ 54,161</u>

Minnesota Chippewa Tribe
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Nonmajor Governmental Funds
Year Ended September 30, 2014

	Wisdom Steps Board 133	Wisdom Steps Integrated Systems 134	Blandin Foundation 601	Economic Development 602	Rural Business Enterprise 661	Energy Conservation 740	Water Analysis 751	General Assistance 755	Senior Comm Srvc Employ (SCEP) 810	Total Nonmajor Governmental Funds
Revenue										
Intergovernmental - federal	\$ 29,563	\$ 77,304	\$ -	\$ 213,667	\$ -	\$ -	\$ -	\$ 150,469	\$ 57,058	\$ 528,061
Program income	-	-	-	-	-	-	-	-	-	5,850
Other	-	-	3,766	-	-	-	3,444	-	-	95,958
Total revenue	<u>29,563</u>	<u>77,304</u>	<u>3,766</u>	<u>213,667</u>	<u>-</u>	<u>-</u>	<u>3,444</u>	<u>150,469</u>	<u>57,058</u>	<u>629,869</u>
Expenditures										
Personnel	-	50,664	-	43,489	-	-	-	4,805	40,973	163,523
Fringe benefits	-	14,070	-	9,446	-	-	-	1,392	5,127	39,926
Travel/training	8,859	595	-	11,866	-	-	-	773	-	86,924
Office expenses	629	-	-	1,536	-	-	-	970	-	35,382
Pass-through funds	-	-	-	-	-	-	-	118,576	-	126,186
Office and equipment rental	-	-	-	4,362	-	-	-	1,400	-	5,762
Other expenditures	17,119	-	-	66,472	-	5,685	-	-	-	105,494
Total direct expenditures	<u>26,607</u>	<u>65,329</u>	<u>-</u>	<u>137,171</u>	<u>-</u>	<u>5,685</u>	<u>-</u>	<u>127,916</u>	<u>46,100</u>	<u>563,197</u>
Indirect costs	<u>2,956</u>	<u>11,975</u>	<u>-</u>	<u>25,264</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,712</u>	<u>5,125</u>	<u>47,202</u>
Total expenditures	<u>29,563</u>	<u>77,304</u>	<u>-</u>	<u>162,435</u>	<u>-</u>	<u>5,685</u>	<u>-</u>	<u>129,628</u>	<u>51,225</u>	<u>610,399</u>
Excess (Deficiency) of Revenues										
Over (Under) Expenditures	-	-	3,766	51,232	-	(5,685)	3,444	20,841	5,833	19,470
Fund Balance (Deficit),										
Beginning of Year	<u>-</u>	<u>-</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>
Fund Balance (Deficit),										
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (131)</u>	<u>\$ (108)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 147,237</u>

Minnesota Chippewa Tribe
Combining Schedule of Net Position –
Internal Service Funds
September 30, 2014

	Office Space	Revolving Fund	Computer/ Copy Services	Admin Pool	MCT Insurance	Total
Assets						
Current Assets						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 1,213	\$ 1,213
Accounts receivable	-	3,656	-	1,583	-	5,239
Due from other funds	-	-	45,549	19,293	112,600	177,442
Prepaid expenses and other assets	-	-	-	12,632	25,891	38,523
Equipment	-	26,790	62,698	-	-	89,488
Accumulated Depreciation	-	(26,790)	(49,060)	-	-	(75,850)
Total assets	<u>-</u>	<u>3,656</u>	<u>59,187</u>	<u>33,508</u>	<u>139,704</u>	<u>236,055</u>
Liabilities and Net Position						
Current Liabilities						
Due to other funds	109,145	10,320	-	38,684	-	158,149
Accounts payable	-	9,127	-	-	10,489	19,616
Accrued liabilities	-	225	-	24,262	-	24,487
Noncurrent liabilities						
Due within one year	-	-	-	91,948	-	91,948
Total liabilities	<u>109,145</u>	<u>19,672</u>	<u>-</u>	<u>154,894</u>	<u>10,489</u>	<u>294,200</u>
Net Position (Deficit)						
Investment in capital assets	-	-	13,638	-	-	13,638
Unrestricted	(109,145)	(16,016)	45,549	(121,386)	129,215	(71,783)
Total net position (deficit)	<u>\$ (109,145)</u>	<u>\$ (16,016)</u>	<u>\$ 59,187</u>	<u>\$ (121,386)</u>	<u>\$ 129,215</u>	<u>\$ (58,145)</u>
Total liabilities and net position	<u>\$ -</u>	<u>\$ 3,656</u>	<u>\$ 59,187</u>	<u>\$ 33,508</u>	<u>\$ 139,704</u>	<u>\$ 236,055</u>

Minnesota Chippewa Tribe
Combining Schedule of Revenues, Expenses, and Changes in Net Position –
Internal Service Funds
Year Ended September 30, 2014

	Office Space	Revolving Fund	Computer/ Copy Services	Admin Pool	MCT Insurance	Total
Revenue						
Sales of business support revenues	\$ -	\$ -	\$ 31,393	\$ -	\$ -	\$ 31,393
Indirect revenue	-	-	-	605,178	-	605,178
Rental revenue	39,515	-	-	-	-	39,515
Insurance revenue	-	-	-	-	359,078	359,078
	<u>39,515</u>	<u>-</u>	<u>31,393</u>	<u>605,178</u>	<u>359,078</u>	<u>1,035,164</u>
Total operating revenue						
Expenses						
Current						
Personnel	7,872	-	-	343,637	-	351,509
Fringe benefits	1,064	-	-	118,336	-	119,400
Travel/training	-	-	-	22,872	-	22,872
Office expenses	26	-	4,923	23,531	144	28,624
Office and equipment rent	-	-	3,179	27,623	-	30,802
Maintenance	53,516	-	-	-	-	53,516
Depreciation	-	-	6,060	-	-	6,060
Other expenditures	-	-	9,124	69,296	332,505	410,925
	<u>62,478</u>	<u>-</u>	<u>23,286</u>	<u>605,295</u>	<u>332,649</u>	<u>1,023,708</u>
Total expenses						
Change in Net Position	(22,963)	-	8,107	(117)	26,429	11,456
Net Position (Deficit), Beginning of Year	(86,182)	(16,016)	51,080	(121,269)	102,786	(69,601)
Net Position (Deficit), End of Year	<u>\$ (109,145)</u>	<u>\$ (16,016)</u>	<u>\$ 59,187</u>	<u>\$ (121,386)</u>	<u>\$ 129,215</u>	<u>\$ (58,145)</u>

Minnesota Chippewa Tribe
Combining Schedule of Cash Flows –
Internal Service Funds
Year Ended September 30, 2014

	Office Space	Revolving Fund	Computer/ Copy Services	Admin Pool	MCT Insurance	Total
Operating Activities						
Cash received from customers	\$ 39,515	\$ (2,148)	\$ 32,781	\$ 603,595	\$ 359,078	\$ 1,032,821
Cash paid for wages and benefits	(8,936)	225	-	(467,098)	(907)	(476,716)
Cash paid to suppliers	(30,579)	(8,397)	(17,226)	(148,707)	(336,051)	(540,960)
Net Cash from (used for) Operating Activities	-	(10,320)	15,555	(12,210)	22,120	15,145
Non-Capital Financing Activities						
Proceeds from other funds	-	10,320	-	34,355	-	44,675
Payments to other funds	-	-	(45,549)	(22,145)	(112,600)	(180,294)
Net Cash from Non-Capital Financing Activities	-	10,320	(45,549)	12,210	(112,600)	(135,619)
Net Change in Cash and Cash Equivalents	-	-	(29,994)	-	(90,480)	(120,474)
Cash and Cash Equivalents at Beginning of Year	-	-	29,994	-	91,693	121,687
Cash and Cash Equivalents at End of Year	\$ -	\$ -	\$ -	\$ -	\$ 1,213	\$ 1,213
Reconciliation of Operating Income (Loss) to Net Cash from (used for) Operating Activities						
Change in net position	\$ (22,963)	\$ -	\$ 8,107	\$ (117)	\$ 26,429	\$ 11,456
Adjustments to reconcile operating income (loss) to cash from (used for) operating activities						
Depreciation	-	-	6,060	-	-	6,060
Changes in assets and liabilities						
Accounts receivables	-	(3,376)	1,388	(1,583)	-	(3,571)
Prepaid expenses and other assets	-	-	-	(5,156)	(1,272)	(6,428)
Accounts payables	22,963	(7,169)	-	(229)	(2,130)	13,435
Accrued liabilities	-	225	-	(5,125)	(907)	(5,807)
Net Cash from (used for) Operating Activities	\$ -	\$ (10,320)	\$ 15,555	\$ (12,210)	\$ 22,120	\$ 15,145

Minnesota Chippewa Tribe
Combining Balance Sheet –
U.S Department of Interior Programs
September 30, 2014

	Tribal Operations 503	Natural Resources 510	Johnson O'Malley (Various)	Total
Assets				
Cash	\$ 130,835	\$ 86,651	\$ 215,781	\$ 433,267
Prepaid items	5,673	-	1,335	7,008
Total assets	\$ 136,508	\$ 86,651	\$ 217,116	\$ 440,275
Liabilities and Fund Balance				
Liabilities				
Accounts payable	\$ -	\$ 3,953	\$ -	\$ 3,953
Deferred revenue	136,508	82,698	217,116	436,322
Total liabilities	136,508	86,651	217,116	440,275
Fund Balance				
Nonspendable				
Prepaid items	5,673	-	1,335	7,008
Unassigned	(5,673)	-	(1,335)	(7,008)
Total fund balance	-	-	-	-
Total liabilities and fund balance	\$ 136,508	\$ 86,651	\$ 217,116	\$ 440,275

Minnesota Chippewa Tribe
Combining Schedule of Revenue, Expenditures and Change in Fund Balance –
U.S Department of Interior Programs
Year Ended September 30, 2014

	Tribal Operations 503	Natural Resources 510	Johnson O'Malley (Various)	Total
Revenue				
Intergovernmental - federal	\$ 225,981	\$ 168,764	\$ 319,449	\$ 714,194
Contract	71,187	-	-	71,187
Total revenue	<u>297,168</u>	<u>168,764</u>	<u>319,449</u>	<u>785,381</u>
Expenditures				
Current				
Personnel	158,547	106,357	81,637	346,541
Fringe benefits	50,497	34,872	21,672	107,041
Travel/training	5,017	30	33,528	38,575
Office expenses	12,989	75	37,702	50,766
Office and equipment rental	19,754	-	10,798	30,552
Other expenditures	4,331	1,287	84,628	90,246
Total direct expenditures	<u>251,135</u>	<u>142,621</u>	<u>269,965</u>	<u>663,721</u>
Indirect costs	<u>46,033</u>	<u>26,143</u>	<u>49,484</u>	<u>121,660</u>
Total expenditures	<u>297,168</u>	<u>168,764</u>	<u>319,449</u>	<u>785,381</u>
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, 2014

	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	\$ -	\$ 52,897	\$ -	\$ -
Accounts receivable	-	-	-	-	-	-	-
Grants receivable	-	42,333	-	114,771	-	52,435	7,956
Due from other funds	-	-	-	-	-	750	-
Prepaid items	-	-	-	1,813	1,087	-	-
Total assets	<u>\$ 125</u>	<u>\$ 42,333</u>	<u>\$ 70</u>	<u>\$ 116,584</u>	<u>\$ 53,984</u>	<u>\$ 53,185</u>	<u>\$ 7,956</u>
Liabilities and Fund Balance							
Liabilities							
Due to other funds	\$ -	\$ 42,333	\$ -	\$ 116,584	\$ 750	\$ 53,185	\$ 9,464
Accounts payable	-	-	-	-	8,421	-	-
Accrued liabilities	-	-	-	-	-	-	-
Deferred revenue	125	-	70	-	44,813	-	-
Total liabilities	<u>125</u>	<u>42,333</u>	<u>70</u>	<u>116,584</u>	<u>53,984</u>	<u>53,185</u>	<u>9,464</u>
Fund Balance (Deficit)							
Nonspendable							
For prepaid items	-	-	-	1,813	1,087	-	-
Unassigned	-	-	-	(1,813)	(1,087)	-	(1,508)
Total fund balance (deficit)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,508)</u>
Total liabilities and fund balance (deficit)	<u>\$ 125</u>	<u>\$ 42,333</u>	<u>\$ 70</u>	<u>\$ 116,584</u>	<u>\$ 53,984</u>	<u>\$ 53,185</u>	<u>\$ 7,956</u>

Minnesota Chippewa Tribe
Combining Balance Sheet –
U.S. Department of Health and Human Services Programs
September 30, 2014

	Alzheimer Project 834	Caregiver 835	Grandkin 838	Title III-D 840	Integrated System Development 841	CSSD - Adult Day Services 842	MNSURE 851	Total
Assets								
Cash	\$ 50	\$ -	\$ 4,162	\$ -	\$ -	\$ -	\$ -	\$ 57,304
Accounts receivable	-	-	-	-	-	-	54,248	54,248
Grants receivable	-	13,397	253	14,023	7,891	20,186	3,656	276,901
Due from other funds	-	-	-	-	-	-	-	750
Prepaid items	-	50	-	-	-	-	-	2,950
Total assets	\$ 50	\$ 13,447	\$ 4,415	\$ 14,023	\$ 7,891	\$ 20,186	\$ 57,904	\$ 392,153
Liabilities and Fund Balance								
Liabilities								
Due to other funds	\$ -	\$ 13,447	\$ -	\$ 14,023	\$ 7,310	\$ 20,186	\$ 49,956	\$ 327,238
Accounts payable	-	-	-	-	581	-	347	9,349
Accrued liabilities	-	-	-	-	-	-	3,945	3,945
Deferred revenue	50	-	4,415	-	-	-	3,656	53,129
Total liabilities	50	13,447	4,415	14,023	7,891	20,186	57,904	393,661
Fund Balance (Deficit)								
Nonspendable								
For prepaid items	-	50	-	-	-	-	-	2,950
Unassigned	-	(50)	-	-	-	-	-	(4,458)
	-	-	-	-	-	-	-	(1,508)
Total liabilities and fund balance (deficit)	\$ 50	\$ 13,447	\$ 4,415	\$ 14,023	\$ 7,891	\$ 20,186	\$ 57,904	\$ 392,153

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, 2014

	NEW/ STRIDE Program 621	MFIP 808	Title III 830	MIAAA 831	Nutrition Support Services 832	Caregiver 835	Title III-D 840	Integrated System Development 841	CSDD - Adult Day Services 842	MNSURE 851	Total
Revenue											
Intergovernmental - federal	\$ 389,048	\$ 509,250	\$ 54,554	\$ 370,613	\$ 4,007	\$ 36,870	\$ 5,403	\$ 33,195	\$ -	\$ 173,535	\$ 1,576,475
Other	450	-	-	67,553	-	-	-	-	58,812	132	126,947
Total revenue	389,498	509,250	54,554	438,166	4,007	36,870	5,403	33,195	58,812	173,667	1,703,422
Expenditures											
Personnel	143,640	184,867	17,503	40,779	-	15,866	3,433	14,265	38,093	77,629	536,075
Fringe benefits	40,964	54,143	6,899	8,819	-	6,225	157	6,805	9,016	24,768	157,796
Travel/training	14,163	14,100	14,800	-	-	3,955	-	3,235	1,998	26,962	79,213
Office expenses	14,707	20,717	1,736	1,476	-	1,839	-	1,245	2,178	5,763	49,661
Pass through funds	-	-	11,000	377,210	2,915	-	-	-	-	-	391,125
Office and equipment rent	18,158	27,294	2,428	-	-	8,366	-	2,321	2,000	8,450	69,017
Other expenditures	97,546	132,227	188	-	-	619	1,813	-	461	2,983	235,837
Capital outlay	-	-	-	-	-	-	-	-	-	3,048	3,048
Total direct expenditures	329,178	433,348	54,554	428,284	2,915	36,870	5,403	27,871	53,746	149,603	1,521,772
Indirect costs	60,320	75,902	-	9,882	-	-	-	5,324	5,066	24,064	180,558
Total expenditures	389,498	509,250	54,554	438,166	2,915	36,870	5,403	33,195	58,812	173,667	1,702,330
Revenue over (Under) Expenditures	-	-	-	-	1,092	-	-	-	-	-	1,092
Fund Balance (Deficit), Beginning of Year	-	-	-	-	(2,600)	-	-	-	-	-	(2,600)
Fund Balance (Deficit), End of Year	\$ -	\$ -	\$ -	\$ -	\$ (1,508)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,508)

Minnesota Chippewa Tribe
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2014

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	\$	297,168
Johnson O'Malley	15.130		319,445
Natural resources	15.035		<u>168,764</u>
Total U.S. Department of Interior			\$ 785,377
U.S. Department of Health and Human Services			
Direct programs			
NEW Program, 10/13 - 12/13	93.594	\$	289,352
NEW Program, 07/14 - 9/14	93.594		<u>100,035</u>
Total CFDA #93.594			389,387
Disease Prevention/Health Promotion, 10/13 - 12/13	93.043		1,737
Disease Prevention/Health Promotion, 1/14 - 9/14	93.043		<u>3,666</u>
Total CFDA #93.043			5,403
Integrated System Development, 10/13 - 12/13	93.048		10,694
Integrated System Development, 1/14 - 9/14	93.048		<u>22,500</u>
Total CFDA #93.048			33,194
Caregiver Support, 10/13 - 12/13	93.052		11,745
Caregiver Support, 1/14 - 9/14	93.052		<u>25,124</u>
Total CFDA #93.052			36,869
Special Programs passed through for the MN Board of Aging			
Title III, Part B Grants for Supportive Services and Senior Centers, 10/13 - 12/13	93.044		7,970
Title III, Part B Grants for Supportive Services and Senior Centers, 1/14 - 9/14	93.044		46,583
AAA Administration, 10/13 - 12/13	93.044		20,368
AAA Administration, 1-14 - 9/14	93.044		<u>40,586</u>
Total CFDA #93.044			<u>115,507</u>
Home Delivered/Congregate Meals, 10/13 - 12/13	93.045		77,700
Home Delivered/Congregate Meals, 1/14 - 9/14	93.045		<u>164,005</u>
Total CFDA #93.045			<u>241,705</u>
NSIP - Home Delivered/Congregate Meals, 10/13 - 12/13	93.053		6,955
NSIP - Home Delivered/Congregate Meals, 1/14 - 9/14	93.053		<u>28,288</u>
Total CFDA #93.053			<u>35,243</u>
Total Special Programs passed through the MN Board of Aging Cluster CFDA #93.044, 93.045, 93.053			392,455

Minnesota Chippewa Tribe
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2014

Federal Grantor/Pass Through Grantor/Program	CFDA Number	Expenditures	
U.S. Department of Health and Human Services, cont..			
Passed-through the Minnesota			
Department of Human Services			
MnSure Outreach & Enrollment, 10/13 - 12/13	93.525	\$ 25,114	
MnSure Outreach & Enrollment, 1/14 - 9/14	93.525	<u>148,553</u>	
Total CFDA #93.525			\$ 173,667
Minnesota Family Investment Program, 10/13 - 12/13	93.558	185,600	
Minnesota Family Investment Program, 1/14 - 9/14	93.558	<u>323,648</u>	
Total CFDA #93.558			<u>509,248</u>
Total U.S. Department of Health and Human Services			\$ 1,540,223
U.S. Department of Commerce			
Direct Programs			
Economic Development Planning, 10/12 - 12/12	11.302	78,381	
Economic Development Planning, 1/13 - 9/13	11.302	<u>84,052</u>	
Total CFDA #11.302			<u>162,433</u>
Total U.S. Department of Commerce			162,433
Environmental Protection Agency			
Direct Programs			
General Assistance Program	66.926		<u>129,627</u>
Total Environmental Protection Agency			129,627
U.S. Department of Agriculture			
Passed-through State of Minnesota			
Department of Human Services			
Food Stamp Nutrition Education	10.561		<u>694,911</u>
Direct Program			
Rural Business Enterprise Grant	10.769		<u>-</u>
Total U.S. Department of Agriculture			694,911
U.S. Department of Labor			
Passed-through State of Minnesota Economic Security			
Senior Community Service Employment, 10/112 - 6/113	17.235	43,357	
Senior Community Service Employment, 7/13 - 9/13	17.235	<u>7,868</u>	
Total CFDA #17.235			<u>51,225</u>
Total U.S. Department of Labor			<u>51,225</u>
Total Federal Financial Assistance			<u>\$ 3,363,796</u>

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:

Program	CFDA Number	Amount
Food Stamp Nutrition Education	10.551	\$ 424,255
Home Delivered/Congregate Meals	93.045 / 93.053	377,212
Title III, Part B Trans/Homemaker	93.044	11,000
General Assistance Program	66.926	118,576
Total		\$ 931,043



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, 2014, 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 29, 2015.

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 2014-A, 2014-B, and 2014-C 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 Bailly LLP". The signature is written in a cursive, flowing style.

Fargo, North Dakota
June 29, 2015



Independent Auditor's Report on Compliance for Each Major Federal Program and 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, 2014. 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, 2014.

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.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in dark ink and is positioned above the typed name and date.

Fargo, North Dakota
June 29, 2015

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

Name of Federal Program or Cluster	CFDA Number
Food Stamp Nutrition Education	10.561
NEW Program	93.594
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
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Auditee Qualified as Low-Risk Auditee?	No
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Section II – Financial Statement Findings

Material Weakness

2014-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, 2014 to ensure that future audit adjustments will be minimal.

Material Weakness

2014-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.

Material Weakness

2014-C Segregation of Duties

Criteria – A good system of internal control contemplates an adequate segregation of duties so that no one individual has incompatible responsibilities. No one person should have more than one duty relating to the authorization (approval), custody of assets (check depositing), record keeping and reconciliation functions.

Condition – The Tribe has a lack of segregation of duties in certain areas due to a limited staff.

Cause – There are a limited amount of finance employees.

Effect – Inadequate segregation of duties could adversely affect the Tribe's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

Recommendation – While we recognize that your staff may not be large enough to permit complete segregation of duties in all respects for an effective system of internal control, the functions should be reviewed to determine if additional segregation of duties is feasible and to improve efficiency and effectiveness of financial management and financial statement accuracy for the Tribe. Segregation of authorization, custody of assets, record keeping and reconciliation functions would assist in mitigating the risk of fraud or misstatements to the financial statements.

Management's Response – Due to cost constraints, there will be no further administrative employees added. The Tribe will continue to look for further opportunities to segregate duties.

Section III – Federal Award Findings and Questioned Costs

No findings reported in the current year.

No findings reported in the prior year.