

**MINNESOTA CHIPPEWA TRIBE
CASS LAKE, MINNESOTA**

AUDITED FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

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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, 2019, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Tribe'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 Tribe'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 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, business type activities, each major fund, and the aggregate remaining fund information for the primary government of the Minnesota Chippewa Tribe as of September 30, 2019, and the respective changes in financial position and where applicable, cash flows, thereof for the year then ended in accordance 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 placing 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and related 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 are 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 July 6, 2023, on our consideration 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 solely 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 effectiveness of the Tribe's 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.



**BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA**

July 6, 2023

MINNESOTA CHIPPEWA TRIBE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 116,362	\$ 1,246,512	\$ 1,362,874
Investments	565,722	18,351,078	18,916,800
Accounts receivables, net	698	117,979	118,677
Loans receivable, net	-	26,016,634	26,016,634
Grants receivable	431,205	-	431,205
Other receivables and accrued interest	38,522	94,946	133,468
Interfund balances	57,367	(57,367)	-
Prepaid items and other assets	31,817	650	32,467
Real estate acquired by foreclosures	-	2,465,634	2,465,634
Capital assets			
Nondepreciable	1,193,542	-	1,193,542
Depreciable, net	553,552	835,969	1,389,521
Total Assets	2,988,787	49,072,035	52,060,822
Liabilities			
Accounts payable	69,915	100,962	170,877
Accrued liabilities	20,063	15,045	35,108
Unearned revenue	228,503	-	228,503
Escrowed liabilities	-	328,434	328,434
Noncurrent liabilities			
Due within one year	103,949	-	103,949
Due in more than one year	-	34,678,346	34,678,346
Total Liabilities	422,430	35,122,787	35,545,217
Net Position			
Investment in capital assets	1,747,094	835,969	2,583,063
Restricted:			
For employee loans	83,462	-	83,462
For wisdom steps	153	-	153
For timber appraisal	60,000	-	60,000
For Cobell probate	13,921	-	13,921
For enterprises	12,653	-	12,653
Unrestricted	649,074	13,113,279	13,762,353
Total Net Position	\$ 2,566,357	\$ 13,949,248	\$ 16,515,605

See Notes to the Financial Statements

MINNESOTA CHIPPEWA TRIBE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

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	\$ 2,101,064	\$ 997,356	\$ 637,019	\$ (466,689)	\$ -	\$ (466,689)
Education	559,317	-	559,317	-	-	-
Human services	1,508,990	41,914	1,381,905	(85,171)	-	(85,171)
Conservation of natural resources	125,273	-	119,808	(5,465)	-	(5,465)
Economic development	44,549	-	44,549	-	-	-
Total governmental activities	<u>4,339,193</u>	<u>1,039,270</u>	<u>2,742,598</u>	<u>(557,325)</u>	<u>-</u>	<u>(557,325)</u>
Business-type activities:						
Finance corporation	1,411,008	1,832,745	-	-	421,737	421,737
Total business-type activities	<u>1,411,008</u>	<u>1,832,745</u>	<u>-</u>	<u>-</u>	<u>421,737</u>	<u>421,737</u>
Total primary government	\$ <u>5,750,201</u>	\$ <u>2,872,015</u>	\$ <u>2,742,598</u>	<u>(557,325)</u>	<u>421,737</u>	<u>(135,588)</u>
Change in net position				(557,325)	421,737	(135,588)
Net Position, Beginning as previously stated				3,123,682	13,224,612	16,348,294
Prior Period Adjustment (See Note 16)					302,899	302,899
Net Position, Beginning as restated				<u>3,123,682</u>	<u>13,527,511</u>	<u>16,651,193</u>
Net Position, End of Year				\$ <u>2,566,357</u>	\$ <u>13,949,248</u>	\$ <u>16,515,605</u>

See Notes to the Financial Statements

MINNESOTA CHIPPEWA TRIBE
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019

	General Fund	Department of Interior	Department of Health and Human Services	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ -	\$ 12,568	\$ 51,431	\$ 52,363	\$ 116,362
Investments	386,903	178,819	-	-	565,722
Accounts receivable, net	191	-	-	-	191
Grants receivable	-	63,801	311,173	56,231	431,205
Due from other funds	590,135	-	-	-	590,135
Other receivables	-	-	-	38,522	38,522
Prepaid items	-	460	4,429	-	4,889
Total Assets	\$ 977,229	\$ 255,648	\$ 367,033	\$ 147,116	\$ 1,747,026
Liabilities					
Accounts payable	\$ 39,554	\$ 790	\$ 8,653	\$ 9,190	\$ 58,187
Due to other funds	-	63,471	328,911	9,778	402,160
Accrued liabilities	726	-	-	2,596	3,322
Unearned revenues	-	191,387	30,977	6,139	228,503
Total Liabilities	40,280	255,648	368,541	27,703	692,172
Fund Balances					
Nonspendable					
For prepaid items	-	460	4,429	-	4,889
Restricted					
For employee loans	-	-	-	83,462	83,462
For wisdom steps	-	-	-	153	153
For timber appraisal	-	-	-	60,000	60,000
For Cobell probate	-	-	-	13,921	13,921
For enterprises	-	-	-	12,653	12,653
For adult day services	-	-	-	20	20
Unassigned	936,949	(460)	(5,937)	(50,796)	879,756
Total Fund Balances	936,949	-	(1,508)	119,413	1,054,854
Total Liabilities and Fund Balances	\$ 977,229	\$ 255,648	\$ 367,033	\$ 147,116	\$ 1,747,026

See Notes to the Financial Statements

MINNESOTA CHIPPEWA TRIBE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

Total Fund Balances - Governmental Funds	\$ 1,054,854
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.	1,747,094
Internal service funds are used by the Tribe to charge the costs of certain activities. The assets and liabilities of the internal service funds are included in governmental activities in the statements of net position.	<u>(235,591)</u>
Net Position of Governmental Activities	<u>\$ 2,566,357</u>

See Notes to the Financial Statements

MINNESOTA CHIPPEWA TRIBE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	General Fund	Department of Interior	Department of Health and Human Services	Other Governmental Funds	Total Governmental Funds
Revenues					
Intergovernmental - federal	\$ -	\$ 930,291	\$ 1,528,775	\$ 183,253	\$ 2,642,319
Intergovernmental - state	-	-	23,174	-	23,174
Donation income	-	-	-	59,549	59,549
Investment income	23,270	-	-	-	23,270
Liquor permits	31,350	-	-	-	31,350
Business support services	-	-	-	44,579	44,579
Other income	2,005	-	17,306	19,119	38,430
Total Revenues	56,625	930,291	1,569,255	306,500	2,862,671
Expenditures					
Personnel	51,119	424,382	500,938	119,286	1,095,725
Fringe benefits	9,165	129,609	150,267	25,820	314,861
Travel/training	27,233	48,450	83,208	128,201	287,092
Office expense	14,775	33,029	44,148	50,791	142,743
Pass-through funds	-	-	377,437	34,993	412,430
Office and equipment rental	2,284	34,747	77,246	4,861	119,138
Other expenditures	128,637	110,310	212,310	40,406	491,663
Total direct expenditures	233,213	780,527	1,445,554	404,358	2,863,652
Indirect costs	33,701	149,764	123,701	23,431	330,597
Total Expenditures	266,914	930,291	1,569,255	427,789	3,194,249
Net Change in Fund Balances	(210,289)	-	-	(121,289)	(331,578)
Fund Balance, Beginning of Year	1,147,238	-	(1,508)	240,702	1,386,432
Fund Balance, End of Year	\$ 936,949	\$ -	\$ (1,508)	\$ 119,413	\$ 1,054,854

See Notes to the Financial Statements

MINNESOTA CHIPPEWA TRIBE
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Net Change in Fund Balances - Total Governmental Funds	\$ (331,578)
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. This is the amount by which depreciation expense has exceeded additions.	(55,884)
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>(169,863)</u>
Change in Net Position of Governmental Activities	<u>\$ (557,325)</u>

See Notes to the Financial Statements

MINNESOTA CHIPPEWA TRIBE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2019

	Business-Type Activity - Enterprise Fund Finance Corporation	Governmental Activities - Internal Service Funds
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,246,512	\$ -
Prepays	650	26,928
Investments, current portion	4,447,848	-
Accounts receivable, net	117,979	507
Due from other funds	-	301,676
Accrued interest receivable	94,946	-
Mortgage loans receivable, current portion	2,449,627	-
Business loans receivable, current portion	86,916	-
Installment loans receivable, current portion	18,542	-
	<u>8,463,020</u>	<u>329,111</u>
Total Current Assets		
Non-Current Assets		
Investments, net of current portion	13,903,230	-
Mortgage loans receivable, net of current portion and allowance	22,555,187	-
Business loans receivable, net of current portion and allowance	221,226	-
Installment loans receivable, net of current portion	685,136	-
Real estate acquired by foreclosure	2,465,634	-
	<u>39,830,413</u>	<u>-</u>
Total Non-Current Assets		
Capital Assets		
Equipment and vehicles	147,553	113,697
Buildings	1,857,273	-
Accumulated depreciation	(1,168,857)	(92,453)
	<u>835,969</u>	<u>21,244</u>
Total Capital Assets		
Total Assets	<u>49,129,402</u>	<u>350,355</u>
Liabilities		
Accounts payable	100,962	11,728
Accrued liabilities	15,045	16,741
Escrowed liabilities	328,434	-
Due to other funds	57,367	432,284
Noncurrent liabilities		
Due within one year	-	103,949
Due in more than one year	34,678,346	-
	<u>35,180,154</u>	<u>564,702</u>
Total Liabilities		
Net Position		
Investment in capital assets	835,969	21,244
Unrestricted	13,113,279	(235,591)
	<u>13,949,248</u>	<u>(214,347)</u>
Total Net Position	<u>\$ 13,949,248</u>	<u>\$ (214,347)</u>

See Notes to the Financial Statements

MINNESOTA CHIPPEWA TRIBE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Business-Type Activity - Enterprise Fund Finance Corporation	Governmental Activities - Internal Service Funds
Revenue		
Housing revenue	\$ 1,508,494	\$ -
Indirect revenue	-	512,562
Rental revenue	-	49,516
Business support services	-	24,726
Insurance revenue	-	317,686
Other Revenue	-	14,706
	1,508,494	919,196
Total operating revenues	1,508,494	919,196
Less direct costs of revenue	263,536	-
Net Revenue	1,244,958	919,196
Expenses		
Current		
Personnel	661,828	428,425
Fringe benefits	189,098	146,464
Travel and training	35,862	19,478
Office expenses	31,304	23,685
Office and equipment rent	-	40,272
Maintenance	-	65,814
Other expenditures	62,647	354,721
Provision for write-downs on foreclosed properties	139,716	-
Depreciation	108,094	10,200
	1,228,549	1,089,059
Total direct expenses	1,228,549	1,089,059
Indirect costs	182,459	-
Total Expenses	1,411,008	1,089,059
Loss before nonoperating activity	(166,050)	(169,863)
Nonoperating Activity		
Investment income	587,787	-
Change in Net Position	421,737	(169,863)
Net Position, Beginning as previously stated	13,224,612	(44,484)
Prior Period Adjustment (See Note 16)	302,899	-
Net Position, Beginning as restated	13,527,511	(44,484)
Net Position, End of Year	\$ 13,949,248	\$ (214,347)

See Notes to the Financial Statements

MINNESOTA CHIPPEWA TRIBE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Business-Type Activity - Enterprise Fund	Governmental Activities - Internal Service Funds
	Finance Corporation	
Operating Activities		
Cash received from customers	\$ 1,604,644	\$ 931,706
Cash paid for wages and benefits	(850,351)	(581,443)
Cash paid to suppliers	(827,507)	(566,228)
Net Cash used by Operating Activities	<u>(73,214)</u>	<u>(215,965)</u>
Noncapital Financing Activities		
Proceeds from other funds	-	217,784
Payments to other funds	-	(1,819)
Net Cash from Noncapital Financing Activities	<u>-</u>	<u>215,965</u>
Capital and Related Financing Activities		
Purchase of capital assets	(5,238)	-
Proceeds from sale of real estate acquired by foreclosure	770,438	-
Cash paid for repairs on real estate acquired by foreclosure	(150,122)	-
Net Cash provided by Capital and Related Financing Activities	<u>615,078</u>	<u>-</u>
Investing Activities		
Purchase of investments	(10,455,833)	-
Proceeds from the sale or maturity of investments	5,477,238	-
Investment income	279,520	-
Loan advances	(1,330,800)	-
Proceeds from loan payments	5,778,291	-
Net Cash used by Investing Activities	<u>(251,584)</u>	<u>-</u>
Net Change in Cash and Cash Equivalents	290,280	-
Cash and Cash Equivalents at the Beginning of Year	<u>956,232</u>	<u>-</u>
Cash and Cash Equivalents at the End of Year	<u>\$ 1,246,512</u>	<u>\$ -</u>

See Notes to the Financial Statements

MINNESOTA CHIPPEWA TRIBE
STATEMENT OF CASH FLOWS - CONTINUED
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Business-Type Activity - Enterprise Fund Finance Corporation	Governmental Activities - Internal Service Funds
Reconciliation of Operating Income (Loss) to		
Net Cash provided (used) by Operating Activities:		
Operating income (loss)	\$ (166,050)	\$ (169,863)
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities		
Depreciation	108,094	10,200
Provision for loan losses/write-offs	18,990	-
Provision for loan losses & write-downs on foreclosed properties	139,716	-
Gain on sale of foreclosed assets	(67,356)	-
Change in assets and liabilities		
Prepays	(650)	(24,357)
Accounts receivable	4,800	12,510
Accounts payable	(82,211)	(37,901)
Accrued liabilities	575	(13,903)
Escrowed liabilities	(29,122)	7,349
Net Cash provided (used) by Operating Activities	\$ (73,214)	\$ (215,965)
Supplemental Disclosures of Non-cash Investing and Financing Activities		
Real estate acquired by foreclosure for loans	\$ 418,916	\$
Unrealized loss on investments	308,267	
Reduction of loan losses and write-offs	(120,028)	

See Notes to the Financial Statements

MINNESOTA CHIPPEWA TRIBE
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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 a 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.

A. 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.

B. 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 intergovernmental revenues, are reported separately from business-type activities, which are normally financed through user fees and charges for goods or services.

MINNESOTA CHIPPEWA TRIBE
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

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.

C. 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 Services 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.

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.

D. 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.

MINNESOTA CHIPPEWA TRIBE
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

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.

E. Other Significant Accounting Policies

Cash and 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 in accordance with Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. Unrealized gains and losses due to fluctuations in fair value are included in nonoperating revenue. Gains and losses on the sale of securities are recorded on the trade date in nonoperating revenue and are determined using the specific identification method.

MINNESOTA CHIPPEWA TRIBE
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

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, 2019, the allowance for doubtful accounts was \$0 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 goods provided 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 accounted 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.

MINNESOTA CHIPPEWA TRIBE
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

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 acquisition 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

Unearned Revenue

The government reports advances from grants on its balance sheet. Advances from grants arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Advances from grants also arise 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 unearned revenue is removed from the balance sheet and the revenue is recognized.

Compensated Absences

Unused vacation and personal leave are 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.

MINNESOTA CHIPPEWA TRIBE
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

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 22.27% 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.

Subsequent sales of foreclosed real estate that are financed by the Finance Corporation are accounted for using the Deposit Method whereby the down payment received plus subsequent principal and interest payments are accumulated in a deposit liability account, unless the down payment is greater than or equal to five percent of the sale price. Once the balance of payments received is greater than or equal to five percent of the sales price of the real estate, full sale treatment of the repossessed property can be recognized.

MINNESOTA CHIPPEWA TRIBE
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

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 prepaid items) 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.

The Tribe does not have a formal fund balance policy as of September 30, 2019.

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.

MINNESOTA CHIPPEWA TRIBE
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

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, 2019, 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. 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.
3. 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 the 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, 2019. 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.

MINNESOTA CHIPPEWA TRIBE
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

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, 2019, consist of the following:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturities in Years</u>	
		<u>Less than 1</u>	<u>1 to 5</u>
Governmental activities			
US Government sponsored Issues	\$ 60,962	\$ -	\$ 60,962
Certificate of deposit	125,264	125,264	-
Marketable fixed income bonds	379,496	-	379,496
Total governmental activities	<u>565,722</u>	<u>125,264</u>	<u>440,458</u>
Business-type activities			
US Government sponsored Issues	1,839,401	244,309	1,595,092
Certificate of deposit	15,896,232	3,778,573	12,117,659
Municipal bonds	615,445	424,966	190,479
Total business-type	<u>18,351,078</u>	<u>4,447,848</u>	<u>13,903,230</u>
Total investments	<u>\$ 18,916,800</u>	<u>\$ 4,573,112</u>	<u>\$ 14,343,688</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, 2019.

The Tribe categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Tribe has fair value measurements of \$18,301,355 valued using quoted market prices (Level 1 inputs) and \$615,445 valued using other observable inputs (level 2) as of September 30, 2019.

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.

Under certain circumstances the Finance Corporation may make adjustments to fair value for assets and liabilities although they are not measured at fair value on an ongoing basis. The Finance Corporation only had Level 3 financial assets measured at fair value on a nonrecurring basis at September 30, 2019, which is summarized below:

Assets Recorded at Fair Value on a Nonrecurring Basis:

Real estate acquired by foreclosure	<u>\$ 2,465,634</u>
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MINNESOTA CHIPPEWA TRIBE
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

Real Estate Acquired by Foreclosure – Real estate acquired by foreclosure, upon initial recognition, is measured and reported at fair value through a charge-off to the allowance for possible losses on foreclosed properties based upon the fair value of the real estate acquired by foreclosure. The fair value of real estate acquired by foreclosure is estimated based on assumptions, such as comparable sales of assets, not observable in the marketplace. The significant unobservable inputs used in valuing real estate acquired by foreclosure was to discount the collateral valuation from appraised value by an additional 10% to cover potential liquidation costs.

NOTE 3 - MORTGAGE LOANS, BUSINESS LOANS, AND INSTALLMENT LOANS RECEIVABLE

Mortgage Loans Receivable

As of September 30, 2019, the Finance Corporation had 440 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, 2019:

Mortgage loans receivable	\$ 19,578,710
Duluth renovating loan receivable	74,494
Mortgage receivable - FHA	12,203,845
Rental development loans	6,131,193
Revolving loan fund	(12,707,997)
Allowance for loan losses	<u>(275,431)</u>
Total loans, net of allowance	25,004,814
Less current portion of loan receivable	<u>(2,449,627)</u>
Total loans, net of current portion and allowance	<u>\$ 22,555,187</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.

As of September 30, 2019, the Finance Corporation had 13 outstanding business loans. These loans are secured by equipment and real estate.

MINNESOTA CHIPPEWA TRIBE
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

The business loan receivable consisted of the following as of September 30, 2019:

Business loans receivable	\$	332,266
Allowance for loan losses		(24,124)
Total loans, net of allowance		308,142
Less current portion of loan receivable		(86,916)
Total loans, net of current portion and allowance	\$	221,226

Installment Loans Receivable

As of September 30, 2019, the Finance Corporation had outstanding installment loans with a total receivable balance of \$703,678. 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 FROM MHFA

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	\$ -
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	172,252	-
Equity participation loan	14,648	-
Total MHFA funds appropriated	\$ 34,678,346	\$ -

MINNESOTA CHIPPEWA TRIBE
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

NOTE 5 - LEASING ACTIVITIES

The Finance Corporation rents 20 single family real estate properties to individuals on a month-to-month basis. Real estate property under operating leases was valued at \$1,420,576 at September 30, 2019, 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 \$130,972 for the year ended September 30, 2019.

NOTE 6 - SETTLEMENT INCOME

During the year ended September 30, 2017, the Tribe received \$705,607 from the Ramah Navajo Chapter Settlement. The Tribe has determined that it will spend \$105,607 of this funding for building maintenance, and the remaining \$600,000 will be spent over the next 5 years, \$120,000 per year. Currently \$410,000 of the proceeds from the Settlement are included in Unassigned Fund Balance of the general fund to be used for building maintenance.

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2019 is as follows:

	Balance 10/1/2018	Additions	Deletions	Balance 9/30/2019
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 1,193,542	\$ -	\$ -	\$ 1,193,542
Total capital assets not being depreciated	<u>1,193,542</u>	<u>-</u>	<u>-</u>	<u>1,193,542</u>
Capital assets, being depreciated				
Buildings	1,114,021	-	-	1,114,021
Equipment	421,341	-	-	421,341
Vehicles	28,290	-	-	28,290
Total capital assets being depreciated	<u>1,563,652</u>	<u>-</u>	<u>-</u>	<u>1,563,652</u>
Less accumulated depreciation for				
Buildings	523,655	58,058	-	581,713
Equipment	392,071	8,026	-	400,097
Vehicles	28,290	-	-	28,290
Total accumulated depreciation	<u>944,016</u>	<u>66,084</u>	<u>-</u>	<u>1,010,100</u>
Total capital assets being depreciated, net	<u>619,636</u>	<u>(66,084)</u>	<u>-</u>	<u>553,552</u>
Governmental activities capital assets, net	<u>\$ 1,813,178</u>	<u>\$ (66,084)</u>	<u>\$ -</u>	<u>\$ 1,747,094</u>

MINNESOTA CHIPPEWA TRIBE
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

	<u>Balance 10/1/2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 9/30/2019</u>
Business-Type Activities				
Capital assets not being depreciated				
Land	\$ -	\$ -	\$ -	\$ -
Total capital assets not being depreciated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital assets, being depreciated				
Equipment and vehicles	142,315	5,238	-	147,553
Building	1,600,000	-	-	1,600,000
Other buildings and improvements	257,273	-	-	257,273
Total capital assets being depreciated	<u>1,999,588</u>	<u>5,238</u>	<u>-</u>	<u>2,004,826</u>
Less accumulated depreciation for				
Equipment and vehicles	24,460	12,934	-	37,394
Building	940,000	80,000	-	1,020,000
Other buildings and improvements	96,303	15,160	-	111,463
Total accumulated depreciation	<u>1,060,763</u>	<u>108,094</u>	<u>-</u>	<u>1,168,857</u>
Total capital assets being depreciated, net	<u>938,825</u>	<u>(102,856)</u>	<u>-</u>	<u>835,969</u>
Business-type activities capital assets, net	<u>\$ 938,825</u>	<u>\$ (102,856)</u>	<u>\$ -</u>	<u>\$ 835,969</u>

Depreciation expense for the year ended September 30, 2019 was charged to the following functions/programs:

Governmental activities	
General government	\$ 55,884
Internal service funds	10,200
Total depreciation expense - governmental activities	<u>\$ 66,084</u>
Business-type activities	
Finance Corporation	<u>\$ 108,094</u>

NOTE 8 - INTERFUND BALANCE

A summary of the Tribe's interfund balances as of September 30, 2019 is as follows:

	<u>Due from other funds</u>	<u>Due to other funds</u>
Department of Interior	\$ -	\$ 63,471
Department of Health and Human Services	-	328,911
Nonmajor Governmental Funds	-	9,778
General Fund	590,135	-
Business-Type Activities - Finance Corporation	-	57,367
Internal Service Funds	<u>301,676</u>	<u>432,284</u>
Total	<u>\$ 891,811</u>	<u>\$ 891,811</u>

The interfund balances are related to reimbursement of borrowed funds and negative cash balances.

MINNESOTA CHIPPEWA TRIBE
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

NOTE 9 - LONG-TERM LIABILITIES

Changes in long-term liabilities during the year ended September 30, 2019 are as follows:

	<u>Balance 10/1/2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 9/30/2019</u>	<u>Due Within One Year</u>
Governmental Activities					
Compensated absences	\$ 96,600	\$ 238,778	\$ 231,429	\$ 103,949	\$ 103,949

The compensated absences are paid out of the admin pool internal service fund.

NOTE 10 - SHORT-TERM NOTE PAYABLE

The Tribe has a revolving line of credit where they may borrow up to \$100,000, at prime rate plus 2.75 percent (4.766% as of September 30, 2019). There was no outstanding balance on this line as of September 30, 2019. The line of credit is due on demand and renews automatically.

NOTE 11 - 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 wages to the plan. The employee can make additional contributions, not to exceed \$18,000 per year, with certain stipulations. Plan participants are immediately vested 100% in all employer contributions. Contributions made by the Tribe were \$102,688 for the fiscal year ended September 30, 2019.

NOTE 12 - DEFICIT FUND BALANCE

The following funds were in a deficit position as of September 30, 2019:

Governmental Funds	
Major Fund	
Department of Health and Human Services	\$ (1,508)
Nonmajor Fund	
Wild Rice Fund	(43,042)
Economic Development	(7,754)
Internal Service Funds	
Office Space	(160,554)
Administrative Pool	(18,332)
Revolving Fund	(321,010)

Management intends to restore the deficit fund balances. The funds will be restored through general fund transfers or additional funding for applicable programs.

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.

MINNESOTA CHIPPEWA TRIBE
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

Also, 99% of the Finance Corporation's loan portfolio is comprised of thirty-year, fixed-rate loans, secured by mortgages on one-to-four family residential real estate.

NOTE 14 - DENTAL SELF INSURANCE

The Tribe is self-insured with respect to dental insurance costs. The terms of the plan do not include a stop-loss provision which would limit the Tribe's liability. The following is the activity for the year ended September 30, 2019:

Claims incurred	\$	17,966
Claims paid		17,966

NOTE 15 - OFF-BALANCE SHEET ACTIVITIES

The Minnesota Chippewa Tribe Finance Corporation is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments consist primarily of commitments to extend credit. These financial instruments involve varying degrees, elements of credit, interest rate, liquidity, and market risk in excess of amounts recognized in the statement of net position.

The Minnesota Chippewa Tribe Finance Corporation's exposure to credit loss is represented by the contractual amount of these commitments. The Minnesota Chippewa Tribe Finance Corporation follows the same credit policies in making commitments as it does for on-balance sheet instruments.

At September 30, 2019, the following financial instrument was outstanding whose contract amount represent credit risk:

Financial instrument whose contract amount represents credit risk		
Unused construction lines of credit (A/P building account)	\$	<u>84,320</u>

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since a portion of the commitment may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Minnesota Chippewa Tribe Finance Corporation evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Minnesota Chippewa Tribe Finance Corporation, upon extension of the credit is based on the loan type and management's credit evaluation of the borrower. Collateral consists primarily of real estate.

MINNESOTA CHIPPEWA TRIBE
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

The Minnesota Chippewa Tribe Finance Corporation's exposure to credit risk in the event of nonperformance by the other party to the financial instrument for commitments to extend credit is represented by the contract amount of those instruments.

Management does not anticipate any material losses as a result of these financing commitments.

NOTE 16 - PRIOR PERIOD ADJUSTMENT

Management has determined that a restatement of the beginning balance of net position was necessary due to the correction of an error.

The restatement was related to improperly including funds advanced from MHFA through the Duluth Urban Housing program that had previously been forgiven in years prior. As a result of the prior period adjustment, non-current liabilities were decreased by \$302,899 and net position was increased by \$302,899.

NOTE 17 - NEW PRONOUNCEMENTS

GASB Statement No. 84, *Fiduciary Activities*, provides guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

GASB Statement No. 87, *Leases*, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

MINNESOTA CHIPPEWA TRIBE
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
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GASB Statement No. 90, *Majority Equity Interests*, provides guidance for reporting when a government has majority equity interest in legally separate organizations. An equity interest is explicit and measurable if the government has a present or future claim to the net resources of the entity and the method for measuring the government's share of the entity's net resources is determinable. If government's holding of that equity interest meets the definition of an investment, as defined by GASB No. 72, the equity interest should be reported as an investment and measured using the equity method and not as a component unit of the government. If a government's holding of a majority interest in a legally separate organization does not meet the definition of an investment, the holding of the majority equity interest results in the government being financially accountable for the organization and therefore, the government should report the legally separate organization as a component unit. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer; establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures. This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.

GASB Statement No. 92, *Omnibus 2020*, provides additional guidance to improve consistency of authoritative literature by addressing practice issues identified during the application of certain GASB statements. This statement provides accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activity of public entity risk pools, fair value measurements and derivative instruments. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, provides guidance to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR), most notable, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. This statement provides exceptions and clarifications regarding hedging derivative instruments for such transactions that result from the replacement of IBOR. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs) and also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The statement provides definitions of PPPs and APAs and provides uniform guidance on accounting and financial reporting for transactions that meet those definitions. A PPP is an arrangement in which a

MINNESOTA CHIPPEWA TRIBE
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 96, *Subscription-Based Information Arrangements* provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. Under this Statement, a government generally should recognize a right-to use subscription asset—an intangible asset—and a corresponding subscription liability. The requirements of this Statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32* provides additional guidance for determining whether a primary government is financially accountable for a potential component unit. This Statement requires that the financial burden criterion in paragraph 7 of Statement No. 84, *Fiduciary Activities*, be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, *Financial Reporting for Pension Plans*, or paragraph 3 of Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, respectively. This Statement (1) requires that a Section 457 plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities. The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021.

GASB Statement No. 99, *Omnibus 2022*, provides guidance on the following accounting matters:

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SEPTEMBER 30, 2019

- Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument.
- Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.
- Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset.
- Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability.
- Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt.
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP).
- Disclosures related to nonmonetary transactions.
- Pledges of future revenues when resources are not received by the pledging government.
- Clarification of provisions in Statement No. 34, *Basic Financial Statements— and Management’s Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statement.
- Terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.
- Terminology used in Statement 53 to refer to resource flows statements.

The requirements of this statement are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*, provides guidance on accounting and financial reporting requirements for accounting changes and error corrections. Statement requires that (a) changes in accounting

MINNESOTA CHIPPEWA TRIBE
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 101, *Compensated Absences*, provides guidance on the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities. This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

Management has not yet determined what effect these statements will have on the Tribe's financial statements.

NOTE 18 - SUBSEQUENT EVENTS

Subsequent to year-end, the Tribe has been impacted by the effects of the world-wide coronavirus pandemic. The Tribe is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the issuance date of these financial statements, the full impact to the Tribe's financial position is not known beyond increased cash flow monitoring.

The Tribe also received a Payroll Protection Program (PPP) loan in fiscal year 2020 for \$444,340 that was forgiven in fiscal year 2021.

Supplementary Information

MINNESOTA CHIPPEWA TRIBE
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019

	Employee Loan Fund 103	Wisdom Steps 113	MIAAA Workshops 115	Wild Rice Sales 116	Timber Sale 119	Business Development 127	Wisdom Steps Board 132	Cobell Probate 134	Honor the Earth 135	Economic Development 602
Assets										
Cash and cash equivalents	\$ 44,940	\$ 153	\$ 16,838	\$ (43,042)	\$ 60,000	\$ (44,198)	\$ -	\$ -	\$ 12,653	\$ -
Grants receivable	-	-	100	-	-	44,187	-	-	-	-
Other receivables	38,522	-	-	-	-	-	-	-	-	-
Total Assets	\$ 83,462	\$ 153	\$ 16,938	\$ (43,042)	\$ 60,000	\$ (11)	\$ -	\$ -	\$ 12,653	\$ -
Liabilities										
Accounts payable	\$ -	\$ -	\$ 1,742	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-	-	-	-	6,539
Accrued liabilities	-	-	1,275	-	-	(11)	-	-	-	-
Unearned revenues	-	-	-	-	-	-	-	-	-	1,215
Total Liabilities	-	-	3,017	-	-	(11)	-	-	-	7,754
Fund Balances										
Restricted										
For employee loans	83,462	-	-	-	-	-	-	-	-	-
For wisdom steps	-	153	-	-	-	-	-	-	-	-
For timber appraisal	-	-	-	-	60,000	-	-	-	-	-
For Cobell probate	-	-	13,921	-	-	-	-	-	-	-
For honor the earth	-	-	-	-	-	-	-	-	12,653	-
For adult day services	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	(43,042)	-	-	-	-	-	(7,754)
Total Fund Balances	83,462	153	13,921	(43,042)	60,000	-	-	-	12,653	(7,754)
Total Liabilities and Fund Balances	\$ 83,462	\$ 153	\$ 16,938	\$ (43,042)	\$ 60,000	\$ (11)	\$ -	\$ -	\$ 12,653	\$ -

MINNESOTA CHIPPEWA TRIBE
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS - CONTINUED
SEPTEMBER 30, 2019

	Rural Business Enterprise 661	Federal Flow Through 701	Energy Conservation 740	General Assistance 755	EPA Great Lakes Habitat Protection 757	Senior Comm Srcv Empl (SCEP) 810	Saint Louis County Racial Disparity 817	LWAH 839	CSSD - Adult Day Services 842	Eldercare Development Project 843	Total Nonmajor Governmental Funds
Assets											
Cash and cash equivalents	\$ -	\$ 4,924	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 95	\$ 52,363
Grants receivable	-	-	-	8,963	-	3,056	-	-	-	(75)	56,231
Other receivables	-	-	-	-	-	-	-	-	-	-	38,522
Total Assets	\$ -	\$ 4,924	\$ -	\$ 8,963	\$ -	\$ 3,056	\$ -	\$ -	\$ -	\$ 20	\$ 147,116
Liabilities											
Accounts payable	\$ -	\$ -	\$ -	7,448	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,190
Due to other funds	-	-	-	183	-	3,056	-	-	-	-	9,778
Accrued liabilities	-	-	-	1,332	-	-	-	-	-	-	2,596
Unearned revenues	-	4,924	-	-	-	-	-	-	-	-	6,139
Total Liabilities	-	4,924	-	8,963	-	3,056	-	-	-	-	27,703
Fund Balances											
Restricted											
For employee loans	-	-	-	-	-	-	-	-	-	-	83,462
For wisdom steps	-	-	-	-	-	-	-	-	-	-	153
For timber appraisal	-	-	-	-	-	-	-	-	-	-	60,000
For Cobell probate	-	-	-	-	-	-	-	-	-	-	13,921
For honor the earth	-	-	-	-	-	-	-	-	-	-	12,653
For adult day services	-	-	-	-	-	-	-	-	-	20	20
Unassigned	-	-	-	-	-	-	-	-	-	-	(50,796)
Total Fund Balances	-	-	-	-	-	-	-	-	-	20	119,413
Total Liabilities and Fund Balances	\$ -	\$ 4,924	\$ -	\$ 8,963	\$ -	\$ 3,056	\$ -	\$ -	\$ -	\$ 20	\$ 147,116

MINNESOTA CHIPPEWA TRIBE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Employee Loan Fund 103	Wisdom Steps 113	MIAAA Workshops 115	Wild Rice Sales 116	Timber Sale 119	Business Development 127	Wisdom Steps Board 132	Cobell Probate 134	Honor the Earth 135	Economic Development 602
Revenues										
Intergovernmental - federal	\$ -	\$ -	\$ 2,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Donation income	-	-	15,000	-	-	44,549	-	-	-	-
Business support services	-	3,723	-	15,638	-	-	25,218	-	-	-
Other income	5,897	-	2,062	-	-	-	11,160	-	-	-
Total Revenues	5,897	3,723	19,562	15,638	-	44,549	36,378	-	-	-
Expenditures										
Personnel	-	-	-	-	-	35,104	-	-	-	-
Fringe benefits	-	-	-	-	-	9,470	-	-	-	-
Travel/training	-	-	3,171	-	-	-	111,290	-	1,724	-
Office expense	-	3	3,838	39,229	-	(25)	322	-	2,000	-
Pass-through funds	-	-	-	-	-	-	12,900	-	-	-
Office and equipment rental	-	-	-	-	-	-	-	-	-	-
Other expenditures	2,231	10,776	5,610	-	-	-	5,248	-	1,740	-
Total direct expenditures	2,231	10,779	12,619	39,229	-	44,549	129,760	-	5,464	-
Indirect costs	-	-	2,500	-	-	-	-	-	-	-
Total Expenditures	2,231	10,779	15,119	39,229	-	44,549	129,760	-	5,464	-
Net Change in Fund Balance	3,666	(7,056)	4,443	(23,591)	-	-	(93,382)	-	(5,464)	-
Fund Balance, Beginning of Year	79,796	7,209	9,478	(19,451)	60,000	-	93,382	-	18,117	(7,754)
Fund Balance, End of Year	\$ 83,462	\$ 153	\$ 13,921	\$ (43,042)	\$ 60,000	\$ -	\$ -	\$ -	\$ 12,653	\$ (7,754)

MINNESOTA CHIPPEWA TRIBE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Rural Business Enterprise 661	Federal Flow Through 701	Energy Conservation 740	General Assistance 755	EPA Great Lakes Habitat Protection 757	Senior Comm Srcv Employ (SCEP) 810	Saint Louis County Racial Disparity 817	LWAH 839	CSSD - Adult Day Services 842	Eldercare Development Project 843	Total Nonmajor Governmental Funds
Revenues											
Intergovernmental - federal	\$ -	\$ 22,093	\$ -	\$ 111,542	\$ 8,266	\$ 38,852	\$ -	\$ -	\$ -	\$ -	\$ 183,253
Donation income	-	-	-	-	-	-	-	-	-	-	59,549
Business support services	-	-	-	-	-	-	-	-	-	-	44,579
Other income	-	-	-	-	-	-	-	-	-	-	19,119
Total Revenues	-	22,093	-	111,542	8,266	38,852	-	-	-	-	306,500
Expenditures											
Personnel	-	-	-	47,050	4,293	32,934	-	-	-	(95)	119,286
Fringe benefits	-	-	-	12,453	1,126	2,771	-	-	-	-	25,820
Travel/training	-	-	-	10,682	1,334	-	-	-	-	-	128,201
Office expense	-	-	-	5,424	-	-	-	-	-	-	50,791
Pass-through funds	-	22,093	-	-	-	-	-	-	-	-	34,993
Office and equipment rental	-	-	-	4,861	-	-	-	-	-	-	4,861
Other expenditures	-	-	-	14,801	-	-	-	-	-	-	40,406
Total direct expenditures	-	22,093	-	95,271	6,753	35,705	-	-	-	(95)	404,358
Indirect costs	-	-	-	16,271	1,513	3,147	-	-	-	-	23,431
Total Expenditures	-	22,093	-	111,542	8,266	38,852	-	-	-	(95)	427,789
Net Change in Fund Balance	-	-	-	-	-	-	-	-	-	95	(121,289)
Fund Balance, Beginning of Year	-	-	-	-	-	-	-	-	-	(75)	240,702
Fund Balance, End of Year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20	\$ 119,413

MINNESOTA CHIPPEWA TRIBE
COMBINING SCHEDULE OF NET POSITION
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2019

	Office Space	Revolving Fund	Computer/Copy Services	Admin Pool	MCT Insurance	Total
Assets						
Current Assets						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	-
Accounts receivable, net	-	242	-	265	-	507
Due from other funds	-	-	55,521	57,367	188,788	301,676
Prepaid items and other assets	-	-	-	2,906	24,022	26,928
Total Current Assets	-	242	55,521	60,538	212,810	329,111
Non-Current Assets						
Equipment	-	-	113,697	-	-	113,697
Accumulated depreciation	-	-	(92,453)	-	-	(92,453)
Total Non-Current Assets	-	-	21,244	-	-	21,244
Total Assets	-	242	76,765	60,538	212,810	350,355
Liabilities						
Accounts payable	-	9,164	-	-	2,564	11,728
Accrued liabilities	-	5,360	-	9,919	1,462	16,741
Due to other funds	160,554	4,050	-	267,680	-	432,284
Noncurrent liabilities						
Due within one year	-	-	-	103,949	-	103,949
Total Liabilities	160,554	18,574	-	381,548	4,026	564,702
Net Position						
Investment in capital assets	-	-	21,244	-	-	21,244
Restricted	-	-	-	-	-	-
Unrestricted	(160,554)	(18,332)	55,521	(321,010)	208,784	(235,591)
Total Net Position	\$ (160,554)	\$ (18,332)	\$ 76,765	\$ (321,010)	\$ 208,784	\$ (214,347)

MINNESOTA CHIPPEWA TRIBE
COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Office Space	Revolving Fund	Computer/Copy Services	Admin Pool	MCT Insurance	Total
Revenue						
Indirect revenue	\$ -	\$ -	\$ -	512,562	\$ -	512,562
Rental revenue	49,516	-	-	-	-	49,516
Business support services	-	-	24,726	-	-	24,726
Insurance Revenue	-	-	-	-	317,686	317,686
Other revenue	-	-	-	14,706	-	14,706
	<u>49,516</u>	<u>-</u>	<u>24,726</u>	<u>527,268</u>	<u>317,686</u>	<u>919,196</u>
Total Operating Revenues	<u>49,516</u>	<u>-</u>	<u>24,726</u>	<u>527,268</u>	<u>317,686</u>	<u>919,196</u>
Expenses						
Current						
Personnel	16,039	-	-	412,386	-	428,425
Fringe benefits	2,130	65	-	144,269	-	146,464
Travel/training	-	-	-	19,478	-	19,478
Office expenses	71	1,492	4,283	17,819	20	23,685
Office and equipment rent	-	-	9,987	30,285	-	40,272
Maintenance	65,814	-	-	-	-	65,814
Other expenditures	-	759	3,816	75,723	274,423	354,721
Depreciation	-	-	10,200	-	-	10,200
	<u>84,054</u>	<u>2,316</u>	<u>28,286</u>	<u>699,960</u>	<u>274,443</u>	<u>1,089,059</u>
Total Expenses	<u>84,054</u>	<u>2,316</u>	<u>28,286</u>	<u>699,960</u>	<u>274,443</u>	<u>1,089,059</u>
Change in Net Position	<u>(34,538)</u>	<u>(2,316)</u>	<u>(3,560)</u>	<u>(172,692)</u>	<u>43,243</u>	<u>(169,863)</u>
Net Position, Beginning of Year	<u>(126,016)</u>	<u>(16,016)</u>	<u>80,325</u>	<u>(148,318)</u>	<u>165,541</u>	<u>(44,484)</u>
Net Position, End of Year	<u>\$ (160,554)</u>	<u>\$ (18,332)</u>	<u>\$ 76,765</u>	<u>\$ (321,010)</u>	<u>\$ 208,784</u>	<u>\$ (214,347)</u>

MINNESOTA CHIPPEWA TRIBE
COMBINING SCHEDULE OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Office Space	Revolving Fund	Computer/Copy Services	Admin Pool	MCT Insurance	Total
Operating Activities						
Cash received from customers	\$ 62,291	\$ -	\$ 24,726	\$ 527,003	\$ 317,686	\$ 931,706
Cash paid for wages and benefits	(18,169)	38	-	(552,055)	(11,257)	(581,443)
Cash paid to suppliers	(66,905)	(2,232)	(18,086)	(180,540)	(298,465)	(566,228)
Net Cash from (used for) Operating Activities	<u>(22,783)</u>	<u>(2,194)</u>	<u>6,640</u>	<u>(205,592)</u>	<u>7,964</u>	<u>(215,965)</u>
Noncapital Financing Activities						
Proceeds from other funds	22,783	2,194	-	192,807	-	217,784
Payments to other funds	-	-	(6,640)	12,785	(7,964)	(1,819)
Net Cash from (used for) Noncapital Financing Activities	<u>22,783</u>	<u>2,194</u>	<u>(6,640)</u>	<u>205,592</u>	<u>(7,964)</u>	<u>215,965</u>
Net Change in Cash and Cash Equivalents	-	-	-	-	-	-
Cash and Cash Equivalents at Beginning of Year	-	-	-	-	-	-
Cash and Cash Equivalents at End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

MINNESOTA CHIPPEWA TRIBE
COMBINING SCHEDULE OF CASH FLOWS - CONTINUED
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>Office Space</u>	<u>Revolving Fund</u>	<u>Computer/Copy Services</u>	<u>Admin Pool</u>	<u>MCT Insurance</u>	<u>Total</u>
Reconciliation of Operating Income (Loss) to Net Cash from (used for) Operating Activities						
Operating income (loss)	\$ (34,538)	\$ (2,316)	\$ (3,560)	\$ (172,692)	\$ 43,243	\$ (169,863)
Adjustments to reconcile increase in operating loss to cash from (used for) operating activities						
Depreciation	-	-	10,200	-	-	10,200
Change in assets and liabilities						
Accounts receivable	12,775	-	-	(265)	-	12,510
Prepaid expenses and other assets	-	-	-	(335)	(24,022)	(24,357)
Accounts payable	(1,020)	19	-	(36,900)	-	(37,901)
Accrued liabilities	-	103	-	(2,749)	(11,257)	(13,903)
Compensated absences	-	-	-	7,349	-	7,349
Net Cash from (used for) Operating Activities	<u>\$ (22,783)</u>	<u>\$ (2,194)</u>	<u>\$ 6,640</u>	<u>\$ (205,592)</u>	<u>\$ 7,964</u>	<u>\$ (215,965)</u>

MINNESOTA CHIPPEWA TRIBE
COMBINING BALANCE SHEET
U.S. DEPARTMENT OF INTERIOR PROGRAMS
SEPTEMBER 30, 2019

	Tribal Operations 503	Scanning Project 515	Title Reconciliation Project 516	Johnson O'Malley (Various)	Total
Assets					
Cash and cash equivalents	\$ -	\$ 12,568	\$ -	\$ -	\$ 12,568
Investments	-	178,819	-	-	178,819
Grants receivable	26,674	-	-	37,127	63,801
Prepaid items	110	-	-	350	460
Total Assets	\$ 26,784	\$ 191,387	\$ -	\$ 37,477	\$ 255,648
Liabilities					
Accounts payable	\$ 790	\$ -	\$ -	\$ -	\$ 790
Due to other funds	25,994	-	-	37,477	63,471
Unearned revenues	-	191,387	-	-	191,387
Total Liabilities	26,784	191,387	-	37,477	255,648
Fund Balances					
Nonspendable					
For prepaid items	110	-	-	350	460
Unassigned	(110)	-	-	(350)	(460)
Total Fund Balances	-	-	-	-	-
Total Liabilities and Fund Balances	\$ 26,784	\$ 191,387	\$ -	\$ 37,477	\$ 255,648

MINNESOTA CHIPPEWA TRIBE
COMBINING SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
U.S. DEPARTMENT OF INTERIOR PROGRAMS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Tribal Operations 503	Scanning Project 515	Title Reconciliation Project 516	Johnson O'Malley (Various)	Total
Revenues					
Intergovernmental - federal	\$ 397,020	\$ 174,982	\$ 42,923	\$ 315,366	\$ 930,291
Contract	-	-	-	-	-
Other	-	-	-	-	-
Total Revenues	397,020	174,982	42,923	315,366	930,291
Expenditures					
Personnel	198,853	110,852	28,631	86,046	424,382
Fringe benefits	61,791	34,915	10,019	22,884	129,609
Travel/training	4,947	521	-	42,982	48,450
Office expense	17,427	-	-	15,602	33,029
Office and equipment rental	23,907	-	-	10,840	34,747
Other expenditures	25,004	-	-	85,306	110,310
Total direct expenditures	331,929	146,288	38,650	263,660	780,527
Indirect costs	65,091	28,694	4,273	51,706	149,764
Total Expenditures	397,020	174,982	42,923	315,366	930,291
Net Change in Fund Balance	-	-	-	-	-
Fund Balance, Beginning of Year	-	-	-	-	-
Fund Balance, End of Year	\$ -	\$ -	\$ -	\$ -	\$ -

MINNESOTA CHIPPEWA TRIBE
COMBINING BALANCE SHEET
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES PROGRAM
SEPTEMBER 30, 2019

	NEW/ STRIDE Program 621	MFIP 808	Title III 830	MIAAA 831	Nutrition Support Services 832	Caregiver 835	Title III-D 840	Mental Health Training 844	Juniper 845	Total
Assets										
Cash and cash equivalents	\$ -	\$ -	\$ 15,390	\$ 7,644	\$ -	\$ -	\$ -	\$ -	\$ 28,397	\$ 51,431
Grants receivable	35,705	116,502	1,637	118,558	5,443	3,443	6,278	23,607	-	311,173
Prepaid items	-	1,835	14	-	-	-	-	-	2,580	4,429
Total Assets	\$ 35,705	\$ 118,337	\$ 17,041	\$ 126,202	\$ 5,443	\$ 3,443	\$ 6,278	\$ 23,607	\$ 30,977	\$ 367,033
Liabilities										
Accounts payable	\$ -	\$ -	\$ 10,219	\$ (1,566)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,653
Due to other funds	35,705	118,337	6,822	127,768	6,951	3,443	6,278	23,607	-	328,911
Unearned revenue	-	-	-	-	-	-	-	-	30,977	30,977
Total Liabilities	35,705	118,337	17,041	126,202	6,951	3,443	6,278	23,607	30,977	368,541
Fund Balances										
Nonspendable										
For prepaid items	-	1,835	14	-	-	-	-	-	2,580	4,429
Unassigned	-	(1,835)	(14)	-	(1,508)	-	-	-	(2,580)	(5,937)
Total Fund Balances	-	-	-	-	(1,508)	-	-	-	-	(1,508)
Total Liabilities and Fund Balances	\$ 35,705	\$ 118,337	\$ 17,041	\$ 126,202	\$ 5,443	\$ 3,443	\$ 6,278	\$ 23,607	\$ 30,977	\$ 367,033

MINNESOTA CHIPPEWA TRIBE
COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES PROGRAM
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	NEW/ STRIDE Program 621	MFIP 808	Title III 830	MIAAA 831	Nutrition Support Services 832	Caregiver 835	Title III-D 840	Mental Health Training 844	Juniper 845	Total
Revenues										
Intergovernmental - federal	\$ 498,669	\$ 454,551	\$ 93,089	\$ 417,034	\$ -	\$ 10,589	\$ 2,963	\$ 19,356	\$ 32,524	\$ 1,528,775
Intergovernmental - state	-	-	-	23,174	-	-	-	-	-	23,174
Other	(250)	-	15,431	-	-	-	-	2,125	-	17,306
Total Revenues	498,419	454,551	108,520	440,208	-	10,589	2,963	21,481	32,524	1,569,255
Expenditures										
Personnel	189,491	193,052	47,895	47,942	-	6,398	-	-	16,160	500,938
Fringe benefits	54,629	55,563	18,853	17,188	-	2,364	-	-	1,670	150,267
Travel/training	53,871	6,406	14,995	-	-	1,667	-	-	6,269	83,208
Office expense	18,136	16,699	5,101	750	-	155	1,262	-	2,045	44,148
Pass-through funds	-	-	10,914	366,523	-	-	-	-	-	377,437
Office and equipment rental	20,703	42,790	9,208	-	-	-	-	-	4,545	77,246
Other expenditures	104,254	81,480	1,554	-	-	5	1,701	21,481	1,835	212,310
Total direct expenditures	441,084	395,990	108,520	432,403	-	10,589	2,963	21,481	32,524	1,445,554
Indirect costs	57,335	58,561	-	7,805	-	-	-	-	-	123,701
Total Expenditures	498,419	454,551	108,520	440,208	-	10,589	2,963	21,481	32,524	1,569,255
Net Change in Fund Balance	-	-	-	-	-	-	-	-	-	-
Fund Balance, Beginning of Year	-	-	-	-	(1,508)	-	-	-	-	(1,508)
Fund Balance, End of Year	\$ -	\$ -	\$ -	\$ -	\$ (1,508)	\$ -	\$ -	\$ -	\$ -	\$ (1,508)

MINNESOTA CHIPPEWA TRIBE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Federal Grantor/Pass-Through Grantor/Program Title	Contract or Pass-Through Number	Federal CFDA Number	Expenditures	Passed- Through to Subrecipients
<u>U.S. Department of Interior</u>				
Indirect Programs:				
Passed Through the Bureau of Indian Affairs:				
Tribal Operations	Unknown	15.048	\$ 397,020	
Scanning Project	A16AC00030	15.022	\$ 174,982	
Reconciliation Project	A16AC00025	15.022	42,923	
Total CFDA #15.022			<u>217,905</u>	
Johnson O'Malley	Unknown	15.130	<u>315,366</u>	
Total U.S. Department of Interior				<u>\$ 930,291</u>
<u>U.S. Department of Health and Human Services</u>				
Direct Programs:				
Tribal Works Grants, 10/18 - 06/19		93.594	387,969	
Tribal Works Grants, 07/17 - 09/19		93.594	<u>110,700</u>	
Total CFDA #93.594			<u>498,669</u>	
Disease Prevention/Health Promotion, 10/18 - 12/18	16AAMNTPH	93.043	<u>2,962</u>	
Caregiver Support, 10/18 - 12/18	16AAMNTFC	93.052	<u>10,589</u>	
Unknown Program Name		93.U01	<u>32,523</u>	
Indirect Programs:				
Special Programs passed through for the MN Board of Aging				
Title III, Part B Grants for Supportive Services and Senior Centers, 10/18 - 12/18	16AAMNT3SS	93.044	31,045	
Title III, Part B Grants for Supportive Services and Senior Centers, 01/19 - 09/19	17AAMNT3SS	93.044	77,475	\$ 24,000
AAA Administration, 10/18 - 12/18	16AAMNT3SS	93.044	7,148	
AAA Administration, 01/19 - 09/19	17AAMNT3	93.044	<u>65,537</u>	
Total CFDA #93.044			<u>181,205</u>	
Home Delivered/Congregate Meals, 10/16 - 12/16	16AAMNT3HD/16AAMNT3CM	93.045	62,773	62,773
Home Delivered/Congregate Meals, 01/17 - 09/17	17AAMNT3HD/17AAMNT3CM	93.045	<u>218,082</u>	218,082
Total CFDA #93.045			<u>280,855</u>	
NSIP - Home Delivered/Congregate Meals, 10/18 - 12/18	16AAMNNSIP	93.053	14,813	14,813
NSIP - Home Delivered/Congregate Meals, 01/19 - 09/19	17AAMNNSIP	93.053	<u>33,250</u>	33,250
Total CFDA #93.053			<u>48,063</u>	
Total Special Programs passed through the MN Board of Aging Cluster CFDA #93.044, 93.045, 93.053			<u>510,123</u>	
Passed Through State of Minnesota				
Minnesota Family Investment Program, 10/18 - 12/18	1602MNTANF	93.558	106,420	
Minnesota Family Investment Program, 01/19 - 09/19	1702MNTANF	93.558	<u>348,133</u>	
Total CFDA #93.558			<u>454,553</u>	
Services to Victims of Severe Form of Trafficking	Unknown	93.958	<u>19,356</u>	
Block Grants for Prevention and Treatment of Substance Abuse	Unknown	93.958	<u>2,500</u>	
Total U.S Department of Health and Human Services				<u>1,531,275</u>

See Notes to the Schedule of Expenditures of Federal Awards

MINNESOTA CHIPPEWA TRIBE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Federal Grantor/Pass-Through Grantor/Program Title	Contract or Pass-Through Number	Federal CFDA Number	Expenditures	Passed- Through to Subrecipients
<u>Environmental Protection Agency</u>				
Direct Programs:				
Great Lakes Program		66.469	8,266	
General Assistance Program		66.926	<u>111,542</u>	
Total Environmental Protection Agency			<u>119,808</u>	
<u>U.S. Department of Justice</u>				
Direct Programs:				
Justice Assistance Grant		16.738	15,093	15,093
Total U.S. Department of Agriculture			<u>15,093</u>	
<u>U.S. Department of Labor</u>				
Indirect Programs:				
Passed Through State of Minnesota Economic Security				
Senior Community Service Employment, 10/18 - 06/19	AD-28755-16-55-A-27	17.235	27,507	
Senior Community Service Employment, 07/19 - 09/19	AD-28755-16-55-A-27	17.235	<u>11,345</u>	
Total U.S. Department of Labor			<u>38,852</u>	
<u>U.S. Institute of Museum & Library Services</u>				
Direct Programs:				
Native American Library Services		45.311	<u>7,000</u>	<u>7,000</u>
Total Federal Awards			<u>\$ 2,642,319</u>	<u>\$ 375,011</u>

See Notes to the Schedule of Expenditures of Federal Awards

MINNESOTA CHIPPEWA TRIBE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported in the schedule are reported on the modified accrual basis of accounting, except for subrecipient expenditures. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 2. INDIRECT COST RATE

The Tribe has not elected to use the 10% de minimis cost rate. The Minnesota Chippewa Tribe uses their negotiated indirect cost rate of 22.27%.

NOTE 3. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Minnesota Chippewa Tribe under programs of the federal government for the year ended September 30, 2019. The information is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents on a selected portion of the operations of the Minnesota Chippewa Tribe, it is not intended to and does not present the financial positions, changes in net position or fund balance of the Minnesota Chippewa Tribe.

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, 2019, and the related notes to the financial statements, which collectively comprise the Tribe's basic financial statements and have issued our report thereon dated July 6, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Tribe's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Tribe's internal control. Accordingly, we do not express an opinion on the effectiveness of the Tribe's internal control.

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. *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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs to be material weaknesses as items 2019-001, 2019-002, 2019-003, 2019-004, 2019-005, 2019-006, and 2019-007.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Tribe's financial statements are free from 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2019-004.

Tribe's Response to Findings

The Tribe's responses to the findings identified in our audit are described in the schedule of findings and questioned costs. The Tribe's responses were not subjected to the auditing procedures applied in the audit of the financial statements 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.



BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA

July 6, 2023

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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 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, 2019. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 qualified and unmodified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of Minnesota Chippewa Tribe's compliance.

Basis for Qualified Opinion on Aging Cluster

As described in the accompanying schedule of findings and questions costs, the Minnesota Chippewa Tribe did not comply with the requirements regarding CFDA's 93.044, 93.045, and 93.053 Aging Cluster as described in finding number 2019-009 for subrecipient monitoring. Compliance with such requirements is necessary, in our opinion, for the Minnesota Chippewa Tribe to comply with the requirements applicable to this program.

Qualified Opinion on Aging Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Minnesota Chippewa Tribe complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Aging Cluster, CFDA's 93.044, 93.045, and 93.053, for the year ended September 30, 2019.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the Tribe complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended September 30, 2019.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2019-008. Our opinion on each major federal program is not modified with respect to this matter.

The Tribe's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Tribe's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 types of 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 the Uniform Guidance, 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 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 type of compliance requirement of a federal program 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 over compliance that might be material weaknesses and significant deficiencies and therefore, material weaknesses and significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2019-008 and 2019-009 that we consider to be material weaknesses.

Tribe's Response to Finding

The Tribe's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Tribe's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA

July 6, 2023

MINNESOTA CHIPPEWA TRIBE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Section I – Summary of Auditor’s Results

Financial Statements

Type of Auditor's Report Issued	Unmodified	
Internal Control Over Financial Reporting		
Material weakness(es) identified?	Yes <u> X </u>	No <u> </u>
Significant deficiency(ies) identified not considered to be material weaknesses?	Yes <u> </u>	No <u> X </u>
Noncompliance Material to Financial Statements Noted?	Yes <u> X </u>	No <u> </u>

Federal Awards

Internal Control Over Financial Reporting		
Material weakness(es) identified?	Yes <u> X </u>	No <u> </u>
Significant deficiency(ies) identified not considered to be material weaknesses?	Yes <u> </u>	No <u> X </u>
Type of Auditor's Report Issued on Compliance for Major Programs	Qualified, Unmodified (see below)	
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516?	Yes <u> X </u>	No <u> </u>

Identification of Major Programs

<u>Name of Federal Program or Cluster</u>	<u>CFDA #</u>	<u>Opinion</u>
Aging Cluster	93.044; 93.045; 93.053	Qualified
Tribal Work Grants	93.594	Unmodified
Tribal Self-Governance	93.558	Unmodified

Dollar Threshold used to Distinguish Between Type A and Type B Programs? \$750,000

Auditee Qualified as Low-Risk Auditee? Yes No X

MINNESOTA CHIPPEWA TRIBE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2019

2019-001 Material Journal Entries
Material Weakness

Condition

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

Criteria

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

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, 2019 to ensure that future audit adjustments will be minimal.

Repeat Finding

This is a repeat finding of 2018-001.

MINNESOTA CHIPPEWA TRIBE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2019

**2019-002 Preparation of Financial Statements and Schedule of Expenditures of
Federal Awards
Material Weakness**

Condition

The Tribe does not have an internal control system designed to provide for the preparation of the financial statements and Schedule of Expenditures of Federal Awards being audited. The auditors were requested to draft the Tribe's financial statements and accompanying notes to the financial statements and Schedule of Expenditures of Federal Awards.

Criteria

A good system of internal accounting control contemplates an adequate system for the ability to internally prepare their financial statements and Schedule of Expenditures of Federal Awards.

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 and Schedule of Expenditures of Federal Awards 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 Schedule of Expenditures of Federal Awards and accompanying notes to the financial statements.

Repeat Finding

This is a repeat finding of 2018-002.

MINNESOTA CHIPPEWA TRIBE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2019

2019-003 Segregation of Duties
Material Weakness

Condition

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

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.

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.

Repeat Finding

This is a repeat finding of 2018-003.

MINNESOTA CHIPPEWA TRIBE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2019

2019-004 Reporting
Material Weakness and Material Noncompliance

Condition

The September 30, 2019, audited financial statements were not filed with the Federal Audit Clearinghouse by the required due date.

Criteria

Requirements contained in Uniform Guidance requires audited financial statements to be filed with the Federal Audit Clearinghouse within nine months of the Tribe's year end, as required for compliance with reporting requirements.

Cause

The Tribe's financial statements were not available to be audited until after the nine month deadline had passed.

Effect

Non-compliance with Uniform Guidance reporting requirements.

Recommendation

We recommend that the Tribe implement and communicate a timeline within the finance department to ensure that the Tribe financial information and files are prepared, reconciled, and audited timely. This will allow for timely submission of its audited financial statements to the Federal Audit Clearinghouse within the nine-month deadline as required by Uniform Guidance.

Repeat Finding

This is a repeat finding of 2018-004.

MINNESOTA CHIPPEWA TRIBE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2019

**2019-005 Improper Control Procedures around ATM Processes and Petty Cash
Material Weakness**

Condition

The Tribe does not have the proper controls to ensure all ATM and petty cash is accounted for.

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 cash (filling the ATM), record keeping and reconciliation functions.

Cause

Lack of training and 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 able to permit complete segregation of duties in all respects for an effective system of internal control, the functions should be reviewed and improved surrounding the ATM and petty cash 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 cash, record keeping and reconciliation functions would assist in mitigating the risk of fraud or misstatements to the financial statements.

Management's Response

The Tribe will continue to look for further opportunities to segregate duties surrounding ATM and petty cash procedures.

Repeat Finding

This is a repeat finding of 2018-005.

MINNESOTA CHIPPEWA TRIBE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2019

**2019-006 Improper Use of Tribal Credit Cards and Lack of Supporting Documentation
Material Weakness**

Condition

During the course of our engagement, we noted Tribal issued credit cards were being used to purchase personal items for Tribal employees and repaying through payroll deductions. There was also lack of documentation supporting credit card expenditures.

Criteria

A good system of internal accounting control contemplates an adequate system for keeping Tribal purchases separate from personal purchases, as well as supporting documentation should be retained.

Cause

Employees with Tribal credit cards are purchasing personal items with Tribal Funds, then repaying the Tribe through payroll deductions.

Effect

This deficiency could result in tribal funds not being repaid and ultimately used for personal purchases.

Recommendation

We recommend that employees not use Tribal credit cards for personal purchases and supporting documentation for all purchases should be retained.

Management's Response

The Tribe will continue to review their policies in this area.

Repeat Finding

This is a repeat finding of 2018-006.

MINNESOTA CHIPPEWA TRIBE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2019

2019-007 Lack of Proper Review of Tribal Credit Card Expenditures
Material Weakness

Condition

During the course of our engagement, we discovered that there was a lack of review of Tribal credit card expenditures.

Criteria

A good system of internal accounting control contemplates an adequate system designed to review all types of expenditures.

Cause

The Tribe does not have an internal control system designed to review all expenditures.

Effect

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

Recommendation

We recommend that credit card purchases are reviewed and approved.

Management's Response

The Tribe will continue to review their policies in this area.

Repeat Finding

This is a repeat finding of 2018-007.

MINNESOTA CHIPPEWA TRIBE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Section III – Federal Award Findings and Questioned Costs

2019-008 Reporting
Material Weakness in Internal Control over Compliance and Immaterial
Instance of Noncompliance

Federal Agency: U.S. Department of Health and Human Services
CFDA Number: 93.594
Program Name: Tribal Work Grants

Criteria

A good system of internal accounting control contemplates an adequate system for ensuring that all reports are completed and submitted accurately.

Condition

During the course of our engagement we noted that the controls surrounding the reporting function of these programs were not being properly segregated. There was no review being performed to ensure that all required reports were submitted accurately.

Cause

The Tribe does not have an internal control system designed to ensure all reports submitted are reviewed by an individual separate from the person preparing the reports.

Effect

The control deficiency could result in the Tribe's reports within these programs not being completed accurately.

Questioned Costs

None reported. The total of known and projected questioned costs were less than the threshold that would require reporting.

Context

There were four (4) quarterly reports required to be filed during the year. All four (4) of these were tested and found to have the condition identified above.

Recommendation

Management should put procedures in place to ensure that all reports are reviewed and documented.

Repeat Finding

This is a repeat finding of 2018-010.

Management's Response

The Tribe will work on procedures to ensure that all reports are reviewed by an individual separate from the person preparing the report.

MINNESOTA CHIPPEWA TRIBE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2019

2019-009 Subrecipient Monitoring
Material Weakness in Internal Control over Compliance and Material
Instance of Noncompliance

Federal Agency: U.S. Department of Health and Human Services
CFDA Number: 93.044; 93.045; 93.053
Program Name: Aging Cluster

Criteria

The Aging Cluster compliance supplement requires monitoring to be performed on all subrecipients. The Tribe did not perform monitoring on subrecipients including: review of subrecipient program; review of subrecipient expenditures incurred; or, review of subrecipient audited financial statements.

Condition

The Tribe did not properly perform subrecipient monitoring.

Cause

The Tribe does not have sufficient procedures in place to ensure proper subrecipient monitoring is being conducted.

Effect

The Tribe was not in compliance with subrecipient compliance requirements.

Questioned Costs

Undeterminable.

Context

During our testing of the program, it was noted the Tribe had not performed any subrecipient monitoring over the course of the fiscal year.

Recommendation

Management should implement procedures and policies regarding the monitoring of subrecipient activities.

Repeat Finding

This is not a repeat finding.

Management's Response

The Tribe will work on developing and implementing procedures and procedures regarding the monitoring of subrecipient activities.

MINNESOTA CHIPPEWA TRIBE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

2018-001 Material Journal Entries
Material Weakness

Condition

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

Criteria

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

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.

Current Year Status

See current year finding 2019-001.

MINNESOTA CHIPPEWA TRIBE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2019

**2018-002 Preparation of Financial Statements and Schedule of Expenditures of
Federal Awards
Material Weakness**

Condition

The Tribe does not have an internal control system designed to provide for the preparation of the financial statements and Schedule of Expenditures of Federal Awards being audited. The auditors were requested to, and did, draft the Tribe's financial statements and accompanying notes to the financial statements and Schedule of Expenditures of Federal Awards.

Criteria

A good system of internal accounting control contemplates an adequate system for the ability to internally prepare their financial statements and Schedule of Expenditures of Federal Awards.

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 and Schedule of Expenditures of Federal Awards 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.

Current Year Status

See current year finding 2019-002.

MINNESOTA CHIPPEWA TRIBE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2019

**2018-003 Segregation of Duties
Material Weakness**

Condition

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

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.

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.

Current Year Status

See current year finding 2019-003.

MINNESOTA CHIPPEWA TRIBE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2019

2018-004 Reporting
Material Weakness and Material Noncompliance

Condition

The September 30, 2018, audited financial statements were not filed with the Federal Audit Clearinghouse by the required due date.

Criteria

Requirements contained in Uniform Guidance requires audited financial statements to be filed with the Federal Audit Clearinghouse within nine months of the Tribe's year end, as required for compliance with reporting requirements.

Cause

The Tribe's financial statements were not available to be audited until after the nine month deadline had passed.

Effect

Non-compliance with Uniform Guidance reporting requirements.

Recommendation

We recommend that the Tribe implement and communicate a timeline within the finance department to ensure that the Tribe financial information and files are prepared, reconciled, and audited timely. This will allow for timely submission of its audited financial statements to the Federal Audit Clearinghouse within the nine-month deadline as required by Uniform Guidance.

Current Year Status

See current year finding 2019-004.

MINNESOTA CHIPPEWA TRIBE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2019

**2018-005 Improper Control Procedures around ATM Processes and Petty Cash
Material Weakness**

Condition

The Tribe does not have the proper controls to ensure all ATM and petty cash is accounted for.

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 cash (filling the ATM), record keeping and reconciliation functions.

Cause

Lack of training and 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 able to permit complete segregation of duties in all respects for an effective system of internal control, the functions should be reviewed and improved surrounding the ATM and petty cash 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 cash, record keeping and reconciliation functions would assist in mitigating the risk of fraud or misstatements to the financial statements.

Current Year Status

See current year finding 2019-005.

MINNESOTA CHIPPEWA TRIBE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2019

**2018-006 Improper Use of Tribal Credit Cards and Lack of Supporting Documentation
Material Weakness**

Condition

During the course of our engagement, we noted Tribal issued credit cards were being used to purchase personal items for Tribal employees and repaying through payroll deductions. There was also lack of documentation supporting credit card expenditures.

Criteria

A good system of internal accounting control contemplates an adequate system for keeping Tribal purchases separate from personal purchases, as well as supporting documentation should be retained.

Cause

Employees with Tribal credit cards are purchasing personal items with Tribal Funds, then repaying the Tribe through payroll deductions.

Effect

This deficiency could result in tribal funds not being repaid and ultimately used for personal purchases.

Recommendation

We recommend that employees not use Tribal credit cards for personal purchases and supporting documentation for all purchases should be retained.

Current Year Status

See current year finding 2019-006.

MINNESOTA CHIPPEWA TRIBE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2019

2018-007 Lack of Proper Review of Tribal Credit Card Expenditures
Material Weakness

Condition

During the course of our engagement, we discovered that there was a lack of review of Tribal credit card expenditures.

Criteria

A good system of internal accounting control contemplates an adequate system designed to review all types of expenditures.

Cause

The Tribe does not have an internal control system designed to review all expenditures.

Effect

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

Recommendation

We recommend that credit card purchases are reviewed and approved.

Current Year Status

See current year finding 2019-007.

MINNESOTA CHIPPEWA TRIBE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2019

2018-008 Allowable Activities/Allowable Costs
Material Weakness in Internal Control over Compliance and Material Noncompliance

Federal Agency: U.S. Department of Interior
CFDA Number: 15.021
Program Name: Tribal Operations

Criteria

Requirements contained in 2 CFR Part 900 require that only allowable costs and activities defined by 2 CFR 200 should be made with federal awards.

Condition

We noted that the Tribe failed to provide adequate documentation to satisfy if costs were allowable.

Cause

Procedures are not in place to ensure that the Tribe is maintaining adequate supporting documentation for each federal expenditure. The following items were found:

- Unallowed cost for wages that did not occur in the current year
- Unallowed cost for an expenditure that did not have supporting documentation
- Unallowed cost for an expenditure that included the wrong amount in the general ledger

Effect

Failure to maintain documentation verifying the purpose of the costs may result in the wrongful use of federal funds and non-compliance with the provisions of applicable requirements.

Questioned Costs

The total of known errors in the sample was \$2,996.

Context

A nonstatistical sample of 60 transactions out of greater than 250 total transactions were selected for testing, which accounted for \$55,471 of \$395,728 of federal program expenditures.

Recommendation

The Tribe should ensure that only allowable costs are being paid for with federal funds, and adequate supporting documentation is retained.

Current Year Status

Management has taken appropriate corrective action.

MINNESOTA CHIPPEWA TRIBE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2019

2018-009 Allowable Activities/Allowable Costs
Material Weakness in Internal Control over Compliance and Immaterial Instance of Noncompliance

Federal Agency: U.S. Department of Health and Human Services
CFDA Number: 93.594; 93.558
Program Name: Tribal Work Grants; Minnesota Family Investment Program

Criteria

A good system of internal accounting control contemplates an adequate system for documentation ensuring that all expenditures are reviewed before being paid.

Condition

The Tribe had payments for expenditures that were not reviewed and approved prior to being paid.

Cause

Procedures are not in place to ensure that the Department is maintaining adequate supporting documentation for each federal expenditure.

For CFDA number 93.594 the following items were found:

- Unallowed cost for expenditures lacking supporting documentation
- Unallowed cost for indirect costs above the amount approved in the grant agreement

For CFDA number 93.558 the following item was found:

- Unallowed cost for expenditure lacking supporting documentation

Effect

Failure to maintain documentation verifying the purpose of the costs may result in the wrongful use of federal funds and non-compliance with the provisions of applicable requirements.

Questioned Costs

None reported. The total of known and projected questioned costs were less than the threshold that would require reporting.

Context

For CFDA number 93.594 – A nonstatistical sample of 60 transactions out of greater than 250 total transactions were selected for testing, which accounted for \$44,965 of \$421,079 of federal program expenditures. For CFDA number 93.558 – A nonstatistical sample of 60 transactions out of more than 250 total transactions were selected for testing, which accounted for \$34,087 of \$506,771 of federal program expenditures.

Recommendation

The Tribe should ensure that expenditures are being reviewed before paid.

Current Year Status

Management has taken appropriate corrective action.

MINNESOTA CHIPPEWA TRIBE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2019

2018-010 Reporting
Material Weakness in Internal Control over Compliance and Immaterial Instance of Noncompliance

Federal Agency: U.S. Department of Health and Human Services
CFDA Number: 93.594
Program Name: Tribal Work Grants

Criteria

A good system of internal accounting control contemplates an adequate system for ensuring that all reports are completed and submitted accurately.

Condition

During the course of our engagement, we noted that the controls surrounding the reporting function of these programs were not being properly segregated. There was no review being performed to ensure that all required reports were submitted accurately.

Cause

The Tribe does not have an internal control system designed to ensure all reports submitted are reviewed by an individual separate from the person preparing the reports.

Effect

The control deficiency could result in the Tribe's reports within these programs not being completed accurately.

Questioned Costs

None reported. The total of known and projected questioned costs were less than the threshold that would require reporting.

Context

A nonstatistical sample of 3 reports out of 5 reports were selected for testing.

Recommendation

Management should put procedures in place to ensure that all reports are reviewed and documented.

Current Year Status

See current year finding 2019-008.



2019-001

The Minnesota Chippewa Tribe

CORRECTIVE ACTION PLAN

Administration
218-335-8581
Toll Free: 888-322-7688
Fax: 218-335-8496

Home Loan
218-335-8582
Fax: 218-335-6925

Economic Development
218-335-8583
Fax: 218-335-8496

Education
218-335-8584
Fax: 218-335-2029

Human Services
218-335-8586
Fax: 218-335-8080

Contact Person

Beth Drost, Executive Director

Planned Corrective Action

The Tribe will develop a process of reviewing our fund accounts during each fiscal year to ensure that audit adjustments are kept to a minimum.

Planned Completion Date

Ongoing.

2019-002

Contact Person

Beth Drost, Executive Director

Planned Corrective Action

Due to cost restraints, and limited staff, the Tribe will continue to request that auditors prepare financial statements and Schedule of Expenditures of Federal Awards, along with accompanying notes.

Planned Completion Date

Ongoing.

2019-003

Contact Person

Beth Drost, Executive Director

Planned Corrective Action

The Tribe will review current segregation of duty processes within the Administration Department to determine and implement any feasible actions that would result in improved efficiency and effectiveness, given the current cost restraints, and limited staff.

Planned Completion Date

This will be an ongoing effort.



The Minnesota Chippewa Tribe

CORRECTIVE ACTION PLAN - CONTINUED

Administration
218-335-8581
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Fax: 218-335-6925

Economic Development
218-335-8583
Fax: 218-335-8496

Education
218-335-8584
Fax: 218-335-2029

Human Services
218-335-8586
Fax: 218-335-8080

Contact Person

Beth Drost, Executive Director

Planned Corrective Action

The Tribe will develop and implement a timeline to comply with federal requirements to file audited financial statements with the Federal Audit Clearinghouse in a timely manner.

Planned Completion Date

The timeframe to be in compliance with audit filings, is an ongoing effort.

2019-005

Contact Person

Beth Drost, Executive Director

Planned Corrective Action

A further review of ATM and petty cash internal controls will be completed to determine if current segregation of duties can be improved upon to increase efficiency and effectiveness of financial management for these functions.

Planned Completion Date

There will be a review of these functions during FY23, and internal control processes will be updated.

2019-006

Contact Person

Beth Drost, Executive Director

Planned Corrective Action

The Tribe will review current tribal credit card procedures and implement policies that will ensure that purchases are made strictly for the benefit of the Tribe, while also ensuring that full, accurate documentation is kept of expenditures.

Planned Completion Date

There will be a review of these functions during FY23, and internal control processes will be updated.

2019-007

Contact Person

Beth Drost, Executive Director



The Minnesota Chippewa Tribe

CORRECTIVE ACTION PLAN - CONTINUED

Administration
218-335-8581
Toll Free: 888-322-7688
Fax: 218-335-8496
Home Loan
218-335-8582
Fax: 218-335-6925
Economic Development
218-335-8583
Fax: 218-335-8496
Education
218-335-8584
Fax: 218-335-2029
Housing
218-335-8586
Fax: 218-335-8080

Planned Corrective Action

The Tribe will review current tribal credit card procedures and implement policies that will ensure that purchases are made strictly for the benefit of the Tribe, while also ensuring that full, accurate documentation is kept of expenditures.

Planned Completion Date

There will be a review of these functions during FY23, and internal control processes will be updated.

2019-008

Contact Person

Beth Drost, Executive Director

Planned Corrective Action

The Tribe will review current internal controls regarding the preparation and submittal of financial reports to the U.S. Department of Health and Human Services for the Tribal Work Grants. However, the financial worker at the Tribe that prepares and submits the reports currently receives e-mail notifications from the DHHS, that each report has been reviewed and approved by the DHHS. If a better system of internal accounting control includes a separate financial worker at the Tribe preparing the report, and another financial worker submitting the report via online, this action will be implemented.

Planned Completion Date

The Tribe will set up proper segregation of financial reporting duties during FY23, for the Tribal Work Grants. This will include separating the duties of the person preparing the financial reports, and the person submitting the reports online.

2019-009

Contact Person

Beth Drost, Executive Director

Planned Corrective Action

Due to cost constraints, there is a lack of adequate human services staff to perform monitoring of subrecipients. However, the Tribe will review subrecipient policies to determine what procedures can be implemented regarding the monitoring of subrecipient activities.

Planned Completion Date

Beginning in FY23, the Tribe will work on developing and implementing procedures and procedures regarding the monitoring of subrecipient activities.