



Financial Statements
September 30, 2018

Minnesota Chippewa Tribe

Independent Auditor’s Report	1
Financial Statements	
Statement of Net Position.....	4
Statement of Activities.....	5
Balance Sheet – Governmental Funds	6
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	7
Statement of Revenues, Expenditures, and Changes in Fund Balance Governmental Funds	8
Reconciliation of the Changes in Funds Balances of Governmental Funds to the Statement of Activities.....	9
Statement of Net Position – Proprietary Funds	10
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	11
Statement of Cash Flows – Proprietary Funds	12
Notes to Financial Statements	14
Supplementary Information	
Combining Balance Sheet – Nonmajor Governmental Funds.....	31
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds.....	33
Combining Schedule of Net Position – Internal Service Funds	35
Combining Schedule of Revenues, Expenses, and Changes in Net Position – Internal Service Funds	36
Combining Schedule of Cash Flows – Internal Service Funds	37
Combining Balance Sheet – U.S Department of Interior Programs.....	38
Combining Schedule of Revenue, Expenditures and Change in Fund Balance – U.S Department of Interior Programs	39
Combining Balance Sheet – U.S. Department of Health and Human Services Programs.....	40
Combining Schedule of Revenue, Expenditures, and Changes in Fund Balance – U.S. Department of Health and Human Services Programs.....	41
Schedule of Expenditures of Federal Awards	42
Notes to Schedule of Expenditures of Federal Awards	43
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 <i>Government Auditing Standards</i>	44
Independent Auditor’s Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by Uniform Guidance	46
Schedule of Findings and Questioned Costs	49



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, 2018, 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Tribe as of September 30, 2018, and the respective changes in financial position 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 the management's discussion and analysis, budget to actual – general fund, budget to actual – department of interior fund, and budget to actual – department of health and human services fund that the accounting principles generally accepted in the United States of America 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 the 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 relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and the schedule of expenditures of federal awards 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 March 31, 2021, on our considerations of the Tribe's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

Fargo, North Dakota

March 31, 2021

Minnesota Chippewa Tribe
Statement of Net Position
September 30, 2018

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 68,267	\$ 956,232	\$ 1,024,499
Investments	1,042,546	13,064,216	14,106,762
Internal balances	70,152	(70,152)	-
Account receivable, net	58,250	122,779	181,029
Loans receivable, net	-	30,902,031	30,902,031
Grants receivable	529,569	-	529,569
Other receivables and accrued interest	36,381	94,946	131,327
Prepaid items	6,346	-	6,346
Real estate acquired by foreclosures	-	2,739,394	2,739,394
Capital assets			
Not being depreciated	1,193,542	-	1,193,542
Being depreciated, net of depreciation	619,636	938,825	1,558,461
Total assets	<u>3,624,689</u>	<u>48,748,271</u>	<u>52,372,960</u>
Liabilities			
Accounts payable	227,282	170,388	397,670
Accrued liabilities	33,517	14,470	47,987
Unearned revenue	143,608	-	143,608
Escrowed liabilities	-	357,556	357,556
Noncurrent liabilities			
Due within one year	96,600	-	96,600
Due in more than one year	-	34,678,346	34,678,346
Total liabilities	<u>501,007</u>	<u>35,220,760</u>	<u>35,721,767</u>
Net Position			
Investment in capital assets	1,813,178	938,825	2,752,003
Restricted	249,865	-	249,865
Unrestricted	1,060,639	12,588,686	13,649,325
Total net position	<u>\$ 3,123,682</u>	<u>\$ 13,527,511</u>	<u>\$ 16,651,193</u>

Minnesota Chippewa Tribe
Statement of Activities
Year Ended September 30, 2018

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	\$ 2,078,180	\$ 711,000	\$ 1,021,300	\$ (345,880)	\$ -	\$ (345,880)
Education	569,458	-	569,458	-	-	-
Human services	1,653,456	-	1,672,105	18,649	-	18,649
Conservation of natural resources	120,974	-	120,974	-	-	-
Economic development	7,698	6,578	-	(1,120)	-	(1,120)
Other	127,401	59,787	110,406	42,792	-	42,792
Total governmental activities	<u>4,557,167</u>	<u>777,365</u>	<u>3,494,243</u>	<u>(285,559)</u>	<u>-</u>	<u>(285,559)</u>
Business-type activities:						
Finance Corporation	<u>1,402,727</u>	<u>1,484,162</u>	<u>-</u>	<u>-</u>	<u>81,435</u>	<u>81,435</u>
Total primary government	<u>\$ 5,959,894</u>	<u>\$ 2,261,527</u>	<u>\$ 3,494,243</u>	<u>(285,559)</u>	<u>81,435</u>	<u>(204,124)</u>
Change in net position				(285,559)	81,435	(204,124)
Net position - beginning				<u>3,409,241</u>	<u>13,446,076</u>	<u>16,855,317</u>
Net position - ending				<u>\$ 3,123,682</u>	<u>\$ 13,527,511</u>	<u>\$ 16,651,193</u>

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

Minnesota Chippewa Tribe
Balance Sheet – Governmental Funds
September 30, 2018

	General Fund	Department of Interior	Department of Health and Human Services	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ -	\$ 68,267	\$ -	\$ -	\$ 68,267
Investments	1,042,546	-	-	-	1,042,546
Accounts receivable, net	-	-	-	41,957	41,957
Grants receivable	-	90,990	438,579	-	529,569
Due from other funds	143,202	37,396	35,835	241,183	457,616
Other receivables	-	-	-	36,381	36,381
Prepaid items	-	2,828	947	-	3,775
Total assets	\$ 1,185,748	\$ 199,481	\$ 475,361	\$ 319,521	\$ 2,180,111
Liabilities and Fund Balance					
Liabilities					
Due to other funds	\$ -	\$ 93,710	\$ 311,164	\$ 67,947	\$ 472,821
Accounts payable	37,959	-	135,575	843	174,377
Accrued liabilities	551	-	-	2,322	2,873
Unearned revenue	-	105,771	30,130	7,707	143,608
Total liabilities	38,510	199,481	476,869	78,819	793,679
Fund Balance (Deficit)					
Nonspendable					
For prepaid items	-	2,828	947	-	3,775
Restricted					
For employee loans	-	-	-	79,796	79,796
For wisdom steps	-	-	-	100,591	100,591
For timber appraisal	-	-	-	60,000	60,000
For Cobell probate	-	-	-	9,478	9,478
For honor the Earth	-	-	-	18,117	18,117
Unassigned	1,147,238	(2,828)	(2,455)	(27,280)	1,114,675
Total fund balance (deficit)	1,147,238	-	(1,508)	240,702	1,386,432
Total liabilities and fund balance	\$ 1,185,748	\$ 199,481	\$ 475,361	\$ 319,521	\$ 2,180,111

Minnesota Chippewa Tribe
Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position
September 30, 2018

Total Funds Balances - Governmental Funds	\$ 1,386,432
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.	1,781,734
Internal service funds are used by the Tribe to charge costs of certain activities. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	<u>(44,484)</u>
Total Net Position - Governmental Activities	<u>\$ 3,123,682</u>

Minnesota Chippewa Tribe
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
Year Ended September 30, 2018

	General Fund	Department of Interior	Department of Health and Human Services	Other Governmental Funds	Total Governmental Funds
Revenues					
Intergovernmental - federal	\$ -	\$ 964,836	\$ 1,420,773	\$ 221,521	\$ 2,607,130
Intergovernmental - state	-	-	75,224	88,649	163,873
Donation income	-	-	-	64,994	64,994
Investment income	10,041	-	-	-	10,041
Liquor permits	34,442	-	-	-	34,442
Business support services	-	-	-	66,421	66,421
Other	9,047	350	1,700	44,504	55,601
Total revenues	53,530	965,186	1,497,697	486,089	3,002,502
Expenditures					
Personnel	35,976	425,689	499,228	170,492	1,131,385
Fringe benefits	8,730	126,040	148,895	40,255	323,920
Travel/training	18,738	35,795	156,496	31,485	242,514
Office expenses	12,160	58,422	38,251	52,711	161,544
Pass-through funds	-	-	318,866	4,924	323,790
Office and equipment rental	4,278	34,179	71,082	18,827	128,366
Other expenditures	123,987	124,105	112,375	77,955	438,422
Total direct expenditures	203,869	804,230	1,345,193	396,649	2,749,941
Indirect costs	39,899	160,956	153,371	19,070	373,296
Total expenditures	243,768	965,186	1,498,564	415,719	3,123,237
Excess (Deficiency) of Revenues Over (Under) Expenditures	(190,238)	-	(867)	70,370	(120,735)
Other Financing Uses					
Transfer in (out)	(301,471)	-	1,831	(2,023)	(301,663)
Net Change in Fund Balance	(491,709)	-	964	68,347	(422,398)
Fund Balance (Deficit), Beginning of Year	1,638,947	-	(2,472)	172,355	1,808,830
Fund Balance (Deficit), End of Year	<u>\$ 1,147,238</u>	<u>\$ -</u>	<u>\$ (1,508)</u>	<u>\$ 240,702</u>	<u>\$ 1,386,432</u>

Minnesota Chippewa Tribe
Reconciliation of the Changes in Funds Balances of
Governmental Funds to the Statement of Activities
Year Ended September 30, 2018

Net Change in Funds Balances - Total Governmental Funds	\$ (422,398)
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>192,723</u>
Change in Net Position of Governmental Activities	<u><u>\$ (285,559)</u></u>

Minnesota Chippewa Tribe

Statement of Net Position –

Proprietary Funds

September 30, 2018

	Business-Type Activity - Enterprise Fund Finance Corporation	Governmental Activities - Internal Service Funds
Assets		
Current Assets		
Cash and cash equivalents	\$ 956,232	\$ -
Investments, current portion	5,134,702	-
Accounts receivable	122,779	13,017
Due from other funds	-	299,857
Prepaid expenses and other assets	-	2,571
Accrued interest receivable	94,946	-
Mortgage loans receivable, current portion	2,326,155	-
Business loans receivable, current portion	93,961	-
Installment loans receivable, current portion	19,827	-
Total current assets	8,748,602	315,445
Non-Current Assets		
Investments, net of current portion	7,929,514	-
Mortgage loans receivable, net of current portion and allowance	27,461,314	-
Business loans receivable, net of current portion and allowance	288,214	-
Installment loans receivable, net of current portion	712,560	-
Capital assets, net of accumulated depreciation		
Building and equipment	938,825	31,444
Real estate acquired by foreclosures	2,739,394	-
Total non-current assets	40,069,821	31,444
Total assets	48,818,423	346,889
Liabilities and Net Position		
Liabilities		
Accounts payable	170,388	49,629
Accrued liabilities	14,470	30,644
Escrowed liabilities	357,556	-
Due to other funds	70,152	214,500
Noncurrent liabilities		
Due within one year	-	96,600
Due in more than one year	34,678,346	-
Total liabilities	35,290,912	391,373
Net Position (Deficit)		
Investment in capital assets	938,825	31,444
Unrestricted	12,588,686	(75,928)
Total net position (deficit)	\$ 13,527,511	\$ (44,484)

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

Minnesota Chippewa Tribe
Statement of Revenues, Expenses, and Changes in Net Position –
Proprietary Funds
Year Ended September 30, 2018

	Business-Type Activity - Enterprise Fund Finance Corporation	Governmental Activities - Internal Service Funds
Revenue		
Housing revenue	\$ 1,496,165	\$ -
Indirect revenue	-	565,594
Rental revenue	-	44,823
Business support services	-	33,659
Insurance revenue	-	323,423
	1,496,165	967,499
Total operating revenue	1,496,165	967,499
Less direct costs of revenue	423,167	-
Net revenue	1,072,998	967,499
Expenses		
Current		
Personnel	641,858	375,609
Fringe benefits	186,743	138,051
Depreciation	103,653	10,481
Travel/training	44,988	25,251
Office expenses	35,401	17,875
Office and equipment rent	-	33,504
Maintenance	-	60,442
Provision for write-downs on foreclosed properties	131,138	-
Other expenditures	66,784	415,226
	1,210,565	1,076,439
Total direct expenses	1,210,565	1,076,439
Indirect costs	192,162	-
Total expenses	1,402,727	1,076,439
Loss Before Nonoperating Activities	(329,729)	(108,940)
Nonoperating Activities		
Transfer In	-	301,663
Investment income	108,265	-
Other income	302,899	-
	411,164	301,663
Net Nonoperating Activities	411,164	301,663
Change in Net Position	81,435	192,723
Net Position (Deficit), Beginning of Year	13,446,076	(237,207)
Net Position (Deficit), End of Year	\$ 13,527,511	\$ (44,484)

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

Minnesota Chippewa Tribe
Statement of Cash Flows –
Proprietary Funds
Year Ended September 30, 2018

	Business-Type Activity - Enterprise Fund <u>Finance Corporation</u>	Governmental Activities - Internal <u>Service Funds</u>
Operating Activities		
Cash received from customers	\$ 1,714,780	\$ 974,543
Cash paid for wages and benefits	(829,028)	(522,656)
Cash paid to suppliers	(877,542)	(582,603)
Net Cash from (used for) Operating Activities	<u>8,210</u>	<u>(130,716)</u>
Non-Capital Financing Activities		
Proceeds from other funds	-	34,370
Payments to other funds	-	(205,317)
Transfer to (from) other funds	-	301,663
Net Cash from Non-Capital Financing Activities	<u>-</u>	<u>130,716</u>
Capital and Related Financing Activities		
Cash paid for repairs on repossessed property	(190,862)	-
Cash received from sale of repossessed property	736,770	-
Cash paid for purchase of capital assets	(37,077)	-
Net Cash from Capital and Related Financing Activities	<u>508,831</u>	<u>-</u>
Investing Activities		
Purchase of investments	(6,408,000)	-
Proceeds from investments	7,262,882	-
Investment income	225,904	-
Disbursement for loans	(6,390,925)	-
Proceeds from loan payments	4,206,919	-
Net Cash used for Investing Activities	<u>(1,103,220)</u>	<u>-</u>
Net Change in Cash and Cash Equivalents	(586,179)	-
Cash and Cash Equivalents at Beginning of Year	<u>1,542,411</u>	<u>-</u>
Cash and Cash Equivalents at End of Year	<u>\$ 956,232</u>	<u>\$ -</u>

Minnesota Chippewa Tribe
Statement of Cash Flows –
Proprietary Funds
Year Ended September 30, 2018

	Business-Type Activity - Enterprise Fund Finance Corporation	Governmental Activities - Internal Service Funds
Reconciliation of Operating Loss to		
Net Cash from (used for) Operating Activities		
Operating Loss	\$ (329,729)	\$ (108,940)
Adjustments to reconcile increase in operating		
loss to cash from (used for) operating activities		
Depreciation	103,653	10,481
Provision for loan losses	105,854	-
Provision for write-downs on foreclosed properties	131,138	-
Gain on sale of capital assets	(39,972)	-
Changes in assets and liabilities		
Accounts receivables	21,595	(4,285)
Prepaid expenses and other assets	-	864
Accounts payables	10,002	(28,827)
Accrued liabilities	(427)	(9)
Escrowed liabilities	6,096	-
	<u>\$ 8,210</u>	<u>\$ (130,716)</u>
Net Cash from (used for) Operating Activities		
Supplemental Disclosures of Non-Cash Investing and Financing Activity		
Real Estate Acquired by Foreclosure for Loans	<u>\$ 616,452</u>	<u>\$ -</u>
Unrealized loss on investments	<u>\$ 117,639</u>	<u>\$ -</u>

Note 1 - Summary of Significant Accounting Policies

The various bands of Chippewa Indians residing within the Fond du Lac, Grand Portage, Bois Forte (Nett Lake), Leech Lake, Mille Lacs and White Earth Reservations comprise the Minnesota Chippewa Tribe (the "Tribe"). The Tribe is 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.

Reporting Entity

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

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

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

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

Basis of Presentation**Tribe-Wide Financial Statements**

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

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

Fund Financial Statements

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

The Tribe reports the following major governmental funds:

General Fund – This fund is the general operating fund of the Tribe. All financial resources of the general government that are not required to be reported in another fund are accounted for in the general fund.

Department of Interior Fund – This fund is used to account for the revenues and expenditures relating to federal awards received from the Department of Interior.

Department of Health and Human 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.

Basis of Accounting

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

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

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

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

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

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

Other Significant Accounting Policies

Cash 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.

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, 2018, the allowance for doubtful accounts was \$4,598 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.

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

Compensated Absences

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

Escrowed Liabilities

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

Revolving Fund

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

Indirect Costs

Indirect costs represent recoverable overhead costs charged by the Tribe to federal, state, and tribal programs in connection with administering and accounting for programs funded by federal, state and tribal resources. The latest indirect cost rate approved by the cognizant federal agency (Department of Interior, Office of Inspector General) was 19.61% 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, less selling costs, 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.

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 Executive Committee). 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, 2018.

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.

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, 2018, 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 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, 2018. The Tribe does not have a formal policy that limits custodial credit.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of the investment. The Tribe does not have a formal policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

The Minnesota Chippewa Tribe's investments as of September 30, 2018 , consist of the following:

	Fair Value	Maturities in Years	
		Less than 1	1 to 5
Governmental activities			
US Government Sponsored Issues	\$ 1,042,546	\$ 1,042,546	\$ -
Business-type activities			
US Government Sponsored Issues	1,117,576	-	1,117,576
Certificate of deposit	10,778,607	4,387,426	6,391,181
Municipal bonds	1,168,033	747,276	420,757
Total business-type	<u>13,064,216</u>	<u>5,134,702</u>	<u>7,929,514</u>
Total investments	<u>\$ 14,106,762</u>	<u>\$ 6,177,248</u>	<u>\$ 7,929,514</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, 2018.

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 \$12,938,729 valued using quoted market prices (Level 1 inputs) and \$1,168,033 valued using other observable inputs (level 2) as of September 30, 2018.

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 any one 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, 2018, which is summarized below:

Assets Recorded at Fair Value on a Nonrecurring Basis:

Real estate acquired by foreclosure	<u>\$ 2,739,394</u>
-------------------------------------	---------------------

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, 2018, the Finance Corporation had 457 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, 2018:

Mortgage loans receivable	\$ 19,526,154
Duluth renovating loan receivable	74,494
Mortgage receivable - FHA	11,516,545
Rental development loans	6,131,193
Revolving loan fund	(7,106,555)
Allowance for doubtful accounts	<u>(354,362)</u>
Total loans, net of allowance	29,787,469
Less current portion or loan receivable	<u>(2,326,155)</u>
	<u><u>\$ 27,461,314</u></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, 2018, the Finance Corporation had 17 outstanding business loans. These loans are secured by equipment and real estate.

The business loan receivable consisted of the following as of September 30, 2018:

Business loan receivable	\$ 442,858
Allowance for doubtful accounts	<u>(60,683)</u>
Total loans, net of allowance	382,175
Less current portion or loan receivable	<u>(93,961)</u>
Total loans, net of allowance	<u>\$ 288,214</u>

Installment Loans Receivable

As of September 30, 2018, the Finance Corporation had outstanding installment loans with a total receivable balance of \$732,387. 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**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:

<u>Fiscal Year</u>	<u>American Indian Housing Funds</u>
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	<u>14,648</u>
Total MHFA funds originally appropriated	34,678,346
Less Duluth Urban Indian Housing Fund terminated	<u>-</u>
Total MHFA funds appropriated	<u><u>\$ 34,678,346</u></u>

Note 5 - Operating Lease

The Finance Corporation rents 18 single family real estate properties to individuals on a month to month basis. Real estate property under operating leases was valued at \$2,430,400 at September 30, 2018, 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 \$139,867 for the year ended September 30, 2018.

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 the Tribe has designated \$530,000 of the proceeds from the Settlement 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, 2018 is as follows:

	Balance October 1, 2017	Additions	Deletions	Balance September 30, 2018
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 1,193,542	\$ -	\$ -	\$ 1,193,542
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	1,563,652	-	-	1,563,652
Less accumulated depreciation for				
Buildings	468,505	55,150	-	523,655
Equipment	380,856	11,215	-	392,071
Vehicles	28,290	-	-	28,290
Total accumulated depreciation	877,651	66,365	-	944,016
Total capital assets being depreciated, net	686,001	(66,365)	-	619,636
Governmental activities capital assets, net	<u>\$ 1,879,543</u>	<u>\$ (66,365)</u>	<u>\$ -</u>	<u>\$ 1,813,178</u>
Business-type activities				
Capital assets, not being depreciated				
Land	\$ 52,495	\$ -	\$ (52,495)	\$ -
Capital assets, being depreciated				
Equipment	91,854	50,461	-	142,315
MCT buildings	1,600,000	-	-	1,600,000
Other buildings and improvements	248,601	54,654	(45,982)	257,273
Total capital assets being depreciated	1,940,455	105,115	(45,982)	1,999,588
Less accumulated depreciation for				
Equipment	46,409	8,490	(30,439)	24,460
MCT buildings	860,000	80,000	-	940,000
Other buildings and improvements	81,140	15,163	-	96,303
Total accumulated depreciation	987,549	103,653	(30,439)	1,060,763
Total capital assets being depreciated, net	952,906	1,462	(15,543)	938,825
Business-type activities capital assets, net	<u>\$ 1,005,401</u>	<u>\$ 1,462</u>	<u>\$ (68,038)</u>	<u>\$ 938,825</u>

Depreciation expense for the year ended September 30, 2018 was charged to the following functions/programs:

Governmental activities	
General government	\$ 55,884
Internal Service	<u>10,481</u>
Total depreciation expense - governmental activities	<u><u>\$ 66,365</u></u>
Business-type activities	
Finance Corporation	<u><u>\$ 103,653</u></u>

Note 8 - Interfund Balances

A summary of the Tribe's interfund balances as of September 30, 2018 is as follows:

	Due from other funds	Due to other funds
General Fund	\$ 143,202	\$ -
Department of Interior	37,396	93,710
Department of Health and Human Services	35,835	311,164
Nonmajor Governmental Funds	241,183	67,947
Business-Type Activities - Finance Corporation	-	70,152
Internal Service Funds	<u>299,857</u>	<u>214,500</u>
	<u><u>\$ 757,473</u></u>	<u><u>\$ 757,473</u></u>

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

During the year ended September 30, 2018, the Tribe recorded interfund transfers to support operations. A summary of the District's interfund transfers are as follows:

	Transfer In	Transfer Out
General Fund	\$ -	\$ 301,471
Department of Health and Human Services	1,831	-
Nonmajor Governmental Funds		2,023
Internal Service Funds	<u>301,663</u>	<u>-</u>
	<u><u>\$ 303,494</u></u>	<u><u>\$ 303,494</u></u>

Note 9 - Long-Term Liabilities

Changes in long-term liabilities during the year ended September 30, 2018 are as follows:

	<u>Balance October 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance September 30, 2018</u>	<u>Due Within One Year</u>
Governmental activities					
Compensated absences	<u>\$ 106,013</u>	<u>\$ 165,892</u>	<u>\$ 175,305</u>	<u>\$ 96,600</u>	<u>\$ 96,600</u>

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 \$1,000,000, at prime rate plus 2.75 percent (3.25% at September 30, 2018). There was no outstanding balance on this line as of September 30, 2018. The line of credit is due on demand and expires on October 31, 2018.

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 for the years ended September 30, 2018 and 2017 was \$102,148 and \$100,414, respectively.

Note 12 - Deficit Fund Balance

The following funds were in a deficit position as of September 30, 2018:

Governmental Funds	
Major Fund	
Department of Health and Human Services	\$ (1,508)
Nonmajor Funds	
Wild Rice Sales	(19,451)
Eldercare Development Project	(75)
Economic Development	(7,754)
Internal Service Funds	
Office Space	(126,016)
Revolving Fund	(16,016)
Admin Pool	(148,318)

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

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, 2018:

Claims incurred	\$ 16,331
Claims paid	16,331

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, 2018, the following financial instrument was outstanding whose contract amount represent credit risk:

Financial instrument whose contract amount represent credit risk	
Unused construction lines of credit (A/P building account)	<u>\$ 239,048</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.

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 - 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.

Supplementary Information
September 30, 2018

Minnesota Chippewa Tribe

Minnesota Chippewa Tribe
Combining Balance Sheet –
Nonmajor Governmental Funds
September 30, 2018

	Employee Loan Fund 103	Wisdom Steps 113	MIAAA Workshops 115	Wild Rice Sales 116	Timber Sale 119	Business Development 127	Wisdom Steps Board 132	Honor the Earth 135	Economic Development 602
Assets									
Accounts receivable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34,638	\$ -	\$ -	\$ -
Due from other funds	43,415	7,209	11,521	-	60,000	-	93,382	18,117	-
Other receivables	36,381	-	-	-	-	-	-	-	-
Total assets	\$ 79,796	\$ 7,209	\$ 11,521	\$ -	\$ 60,000	\$ 34,638	\$ 93,382	\$ 18,117	\$ -
Liabilities and Fund Balance									
Liabilities									
Due to other funds	\$ -	\$ -	\$ -	\$ 19,451	\$ -	\$ 34,638	\$ -	\$ -	\$ 6,539
Accounts payable	-	-	768	-	-	-	-	-	-
Accrued liabilities	-	-	1,275	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-	-	-	1,215
Total liabilities	-	-	2,043	19,451	-	34,638	-	-	7,754
Fund Balance (Deficit)									
Restricted									
For employee loans	79,796	-	-	-	-	-	-	-	-
For wisdom steps	-	7,209	-	-	-	-	93,382	-	-
For timber appraisal	-	-	-	-	60,000	-	-	-	-
For Cobell probate	-	-	9,478	-	-	-	-	-	-
For honor the earth	-	-	-	-	-	-	-	18,117	-
Unassigned	-	-	-	(19,451)	-	-	-	-	(7,754)
Total fund balance (deficit)	79,796	7,209	9,478	(19,451)	60,000	-	93,382	18,117	(7,754)
Total liabilities and fund balance	\$ 79,796	\$ 7,209	\$ 11,521	\$ -	\$ 60,000	\$ 34,638	\$ 93,382	\$ 18,117	\$ -

Minnesota Chippewa Tribe
Combining Balance Sheet –
Nonmajor Governmental Funds
September 30, 2018

	Rural Business Enterprise 661	Federal Flow Through 701	General Assistance 755	EPA Great Lakes Habitat Protection 757	Senior Comm Srcv Employ (SCEP) 810	LWAH 839	CSSD - Adult Day Services 842	Eldercare Development Project 843	Total Nonmajor Governmental Funds
Assets									
Accounts receivable	\$ -	\$ -	\$ -	\$ -	\$ 7,319	\$ -	\$ -	\$ -	\$ 41,957
Due from other funds	-	-	7,539	-	-	-	-	-	241,183
Other receivables	-	-	-	-	-	-	-	-	36,381
Total assets	\$ -	\$ -	\$ 7,539	\$ -	\$ 7,319	\$ -	\$ -	\$ -	\$ 319,521
Liabilities and Fund Balance									
Liabilities									
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ 7,319	\$ -	\$ -	\$ -	\$ 67,947
Accounts payable	-	-	-	-	-	-	-	75	843
Accrued liabilities	-	-	1,047	-	-	-	-	-	2,322
Deferred revenue	-	-	6,492	-	-	-	-	-	7,707
Total liabilities	-	-	7,539	-	7,319	-	-	75	78,819
Fund Balance (Deficit)									
Restricted									
For employee loans	-	-	-	-	-	-	-	-	79,796
For wisdom steps	-	-	-	-	-	-	-	-	100,591
For timber appraisal	-	-	-	-	-	-	-	-	60,000
For Cobell probate	-	-	-	-	-	-	-	-	9,478
For honor the earth	-	-	-	-	-	-	-	-	18,117
Unassigned	-	-	-	-	-	-	-	(75)	(27,280)
Total fund balance (deficit)	-	-	-	-	-	-	-	(75)	240,702
Total liabilities and fund balance	\$ -	\$ -	\$ 7,539	\$ -	\$ 7,319	\$ -	\$ -	\$ -	\$ 319,521

Minnesota Chippewa Tribe
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Nonmajor Governmental Funds
Year Ended September 30, 2018

	Employee Loan Fund 103	Wisdom Steps 113	MIAAA Workshops 115	Wild Rice Sales 116	Timber Sale 119	Business Development 127	Wisdom Steps Board 132	Honor the Earth 135	Economic Development 602
Revenue									
Intergovernmental - federal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 56,228	\$ -	\$ -	\$ -
Intergovernmental - state	-	-	-	-	-	-	-	-	-
Donation income	-	-	-	-	-	-	-	24,994	-
Business support services	-	6,634	-	13,744	-	-	46,043	-	-
Other	4,855	-	9,025	-	-	-	29,184	-	-
Total revenue	4,855	6,634	9,025	13,744	-	56,228	75,227	24,994	-
Expenditures									
Personnel	-	-	-	-	-	39,328	-	-	6,138
Fringe benefits	-	-	-	-	-	11,472	-	-	1,588
Travel/training	-	-	880	-	-	24	1,200	3,836	-
Office expenses	-	-	308	19,713	-	886	25,768	2,781	28
Pass-through funds	-	-	-	-	-	-	-	-	-
Office and equipment rental	-	-	-	-	-	4,518	-	-	-
Other expenditures	3,510	-	-	-	-	-	16,748	260	-
Total direct expenditures	3,510	-	1,188	19,713	-	56,228	43,716	6,877	7,754
Indirect costs	-	-	-	-	-	-	-	-	-
Total expenditures	3,510	-	1,188	19,713	-	56,228	43,716	6,877	7,754
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,345	6,634	7,837	(5,969)	-	-	31,511	18,117	(7,754)
Other Financing Sources Transfer in (out)	-	-	-	-	-	-	-	-	-
Net Change in Fund Balance	1,345	6,634	7,837	(5,969)	-	-	31,511	18,117	(7,754)
Fund Balance (Deficit), Beginning of Year	78,451	575	1,641	(13,482)	60,000	-	61,871	-	-
Fund Balance (Deficit), End of Year	<u>\$ 79,796</u>	<u>\$ 7,209</u>	<u>\$ 9,478</u>	<u>\$ (19,451)</u>	<u>\$ 60,000</u>	<u>\$ -</u>	<u>\$ 93,382</u>	<u>\$ 18,117</u>	<u>\$ (7,754)</u>

Minnesota Chippewa Tribe
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Nonmajor Governmental Funds
Year Ended September 30, 2018

	Rural Business Enterprise 661	Federal Flow Through 701	EPA General Assistance 755	EPA Great Lakes Habitat Protection 757	Senior Comm Srcv Employ (SCEP) 810	LWAH 839	CSSD - Adult Day Services 842	Eldercare Development Project 843	Total Nonmajor Governmental Funds
Revenue									
Intergovernmental - federal	\$ -	\$ 4,924	\$ 108,458	\$ 7,592	\$ 44,319	\$ -	\$ -	\$ -	\$ 221,521
Intergovernmental - state	-	-	-	-	-	51,702	-	36,947	88,649
Donation income	-	-	-	-	-	40,000	-	-	64,994
Business support services	-	-	-	-	-	-	-	-	66,421
Other	-	-	-	-	-	1,440	-	-	44,504
Total revenue	<u>-</u>	<u>4,924</u>	<u>108,458</u>	<u>7,592</u>	<u>44,319</u>	<u>93,142</u>	<u>-</u>	<u>36,947</u>	<u>486,089</u>
Expenditures									
Personnel	(119)	-	47,125	1,085	37,144	30,352	-	9,439	170,492
Fringe benefits	-	-	12,574	282	3,006	8,199	-	3,134	40,255
Travel/training	-	-	22,735	-	-	2,194	-	616	31,485
Office expenses	-	-	1,486	-	-	1,543	-	198	52,711
Pass-through funds	-	4,924	-	-	-	-	-	-	4,924
Office and equipment rental	-	-	4,861	-	-	9,000	-	448	18,827
Other expenditures	-	-	1,024	6,000	-	40,590	9,693	130	77,955
Total direct expenditures	<u>(119)</u>	<u>4,924</u>	<u>89,805</u>	<u>7,367</u>	<u>40,150</u>	<u>91,878</u>	<u>9,693</u>	<u>13,965</u>	<u>396,649</u>
Indirect costs	-	-	18,653	225	4,169	-	-	(3,977)	19,070
Total expenditures	<u>(119)</u>	<u>4,924</u>	<u>108,458</u>	<u>7,592</u>	<u>44,319</u>	<u>91,878</u>	<u>9,693</u>	<u>9,988</u>	<u>415,719</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	119	-	-	-	-	1,264	(9,693)	26,959	70,370
Other Financing Sources									
Transfer in (out)	(236)	-	-	-	-	(1,264)	-	(523)	(2,023)
Net Change in Fund Balance	<u>(117)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,693)</u>	<u>26,436</u>	<u>68,347</u>
Fund Balance (Deficit), Beginning of Year	117	-	-	-	-	-	9,693	(26,511)	172,355
Fund Balance (Deficit), End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (75)</u>	<u>\$ 240,702</u>

Minnesota Chippewa Tribe
Combining Schedule of Net Position –
Internal Service Funds
September 30, 2018

	Office Space	Revolving Fund	Computer/ Copy Services	Admin Pool	MCT Insurance	Total
Assets						
Current Assets						
Accounts receivable	\$ 12,775	\$ 242	\$ -	\$ -	\$ -	\$ 13,017
Due from other funds	-	-	48,881	70,152	180,824	299,857
Prepaid expenses and other assets	-	-	-	2,571	-	2,571
Equipment	-	26,790	113,697	-	-	140,487
Accumulated Depreciation	-	(26,790)	(82,253)	-	-	(109,043)
Total assets	<u>12,775</u>	<u>242</u>	<u>80,325</u>	<u>72,723</u>	<u>180,824</u>	<u>346,889</u>
Liabilities and Net Position						
Current Liabilities						
Due to other funds	137,771	1,856	-	74,873	-	214,500
Accounts payable	1,020	9,145	-	36,900	2,564	49,629
Accrued liabilities	-	5,257	-	12,668	12,719	30,644
Noncurrent liabilities						
Due within one year	-	-	-	96,600	-	96,600
Total liabilities	<u>138,791</u>	<u>16,258</u>	<u>-</u>	<u>221,041</u>	<u>15,283</u>	<u>391,373</u>
Net Position (Deficit)						
Investment in capital assets	-	-	31,444	-	-	31,444
Unrestricted	(126,016)	(16,016)	48,881	(148,318)	165,541	(75,928)
Total net position (deficit)	<u>\$ (126,016)</u>	<u>\$ (16,016)</u>	<u>\$ 80,325</u>	<u>\$ (148,318)</u>	<u>\$ 165,541</u>	<u>\$ (44,484)</u>

Minnesota Chippewa Tribe
Combining Schedule of Revenues, Expenses, and Changes in Net Position –
Internal Service Funds
Year Ended September 30, 2018

	Office Space	Revolving Fund	Computer/ Copy Services	Admin Pool	MCT Insurance	Total
Revenue						
Business support services	\$ -	\$ -	33,659	\$ -	\$ -	\$ 33,659
Indirect revenue	-	-	-	565,594	-	565,594
Rental revenue	44,823	-	-	-	-	44,823
Insurance revenue	-	-	-	-	323,423	323,423
	<u>44,823</u>	<u>-</u>	<u>33,659</u>	<u>565,594</u>	<u>323,423</u>	<u>967,499</u>
Total operating revenue	44,823	-	33,659	565,594	323,423	967,499
Expenses						
Current						
Personnel	10,584	-	-	365,025	-	375,609
Fringe benefits	1,379	-	-	136,672	-	138,051
Travel/training	-	-	-	25,251	-	25,251
Office expenses	73	-	26	17,756	20	17,875
Office and equipment rent	-	-	3,219	30,285	-	33,504
Maintenance	60,442	-	-	-	-	60,442
Depreciation	-	-	10,481	-	-	10,481
Other expenditures	-	-	8,089	84,548	322,589	415,226
	<u>72,478</u>	<u>-</u>	<u>21,815</u>	<u>659,537</u>	<u>322,609</u>	<u>1,076,439</u>
Total expenses	72,478	-	21,815	659,537	322,609	1,076,439
Income (Loss) Before Transfers	(27,655)	-	11,844	(93,943)	814	(108,940)
Transfer In	-	-	-	301,663	-	301,663
Change in Net Position	(27,655)	-	11,844	207,720	814	192,723
Net Position (Deficit), Beginning of Year	<u>(98,361)</u>	<u>(16,016)</u>	<u>68,481</u>	<u>(356,038)</u>	<u>164,727</u>	<u>(237,207)</u>
Net Position (Deficit), End 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>

Minnesota Chippewa Tribe
Combining Schedule of Cash Flows –
Internal Service Funds
Year Ended September 30, 2018

	Office Space	Revolving Fund	Computer/ Copy Services	Admin Pool	MCT Insurance	Total
Operating Activities						
Cash received from customers	\$ 37,727	\$ 7,357	\$ 33,659	\$ 568,647	\$ 327,153	\$ 974,543
Cash paid for wages and benefits	(11,963)	-	-	(510,693)	-	(522,656)
Cash paid to suppliers	(60,134)	-	(11,334)	(188,526)	(322,609)	(582,603)
Net Cash from (used for) Operating Activities	<u>(34,370)</u>	<u>7,357</u>	<u>22,325</u>	<u>(130,572)</u>	<u>4,544</u>	<u>(130,716)</u>
Non-Capital Financing Activities						
Proceeds from other funds	34,370	-	-	-	-	34,370
Payments to other funds	-	(7,357)	(22,325)	(171,091)	(4,544)	(205,317)
Transfer to (from) other funds	-	-	-	301,663	-	301,663
Net Cash from (used for) Non-Capital Financing Activities	<u>34,370</u>	<u>(7,357)</u>	<u>(22,325)</u>	<u>130,572</u>	<u>(4,544)</u>	<u>130,716</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>
Reconciliation of Operating Income (Loss) to Net Cash from (used for) Operating Activities						
Operating income (loss)	\$ (27,655)	\$ -	\$ 11,844	\$ (93,943)	\$ 814	\$ (108,940)
Adjustments to reconcile operating income (loss) to cash from (used for) operating activities						
Depreciation	-	-	10,481	-	-	10,481
Changes in assets and liabilities						
Accounts receivables	(7,096)	(242)	-	3,053	-	(4,285)
Prepaid expenses and other assets	-	-	-	864	-	864
Accounts payables	381	2,342	-	(31,550)	-	(28,827)
Accrued liabilities	-	5,257	-	(8,996)	3,730	(9)
Net Cash from (used for) Operating Activities	<u>\$ (34,370)</u>	<u>\$ 7,357</u>	<u>\$ 22,325</u>	<u>\$ (130,572)</u>	<u>\$ 4,544</u>	<u>\$ (130,716)</u>

Minnesota Chippewa Tribe
Combining Balance Sheet –
U.S Department of Interior Programs
September 30, 2018

	Tribal Operations 503	Scanning Project 515	Title Reconciliation Project 516	Johnson O'Malley (Various)	Total
Assets					
Cash and cash equivalents	\$ 7,319	\$ 18,133	\$ 42,815	\$ -	\$ 68,267
Grants receivable	-	-	-	90,990	90,990
Due from other funds	-	37,396	-	-	37,396
Prepaid items	-	-	108	2,720	2,828
Total assets	<u>\$ 7,319</u>	<u>\$ 55,529</u>	<u>\$ 42,923</u>	<u>\$ 93,710</u>	<u>\$ 199,481</u>
Liabilities and Fund Balance					
Liabilities					
Due to other funds	\$ -	\$ -	\$ -	\$ 93,710	\$ 93,710
Unearned revenue	7,319	55,529	42,923	-	105,771
Total liabilities	<u>7,319</u>	<u>55,529</u>	<u>42,923</u>	<u>93,710</u>	<u>199,481</u>
Fund Balance					
Nonspendable					
Prepaid items	-	-	108	2,720	2,828
Unassigned	-	-	(108)	(2,720)	(2,828)
Total fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 7,319</u>	<u>\$ 55,529</u>	<u>\$ 42,923</u>	<u>\$ 93,710</u>	<u>\$ 199,481</u>

Minnesota Chippewa Tribe
Combining Schedule of Revenue, Expenditures and Change in Fund Balance –
U.S Department of Interior Programs
Year Ended September 30, 2018

	Tribal Operations 503	Scanning Project 515	Title Reconciliation Project 516	Johnson O'Malley (Various)	Total
Revenue					
Intergovernmental - federal	\$ 395,728	\$ 109,117	\$ 134,948	\$ 325,043	\$ 964,836
Other	-	-	-	350	350
Total revenue	395,728	109,117	134,948	325,393	965,186
Expenditures					
Current					
Personnel	190,014	69,261	82,039	84,324	425,689
Fringe benefits	55,668	18,176	30,209	22,038	126,040
Travel/training	13,538	-	-	22,257	35,795
Office expenses	34,575	-	-	23,847	58,422
Office and equipment rental	23,907	-	-	10,272	34,179
Other expenditures	17,410	-	-	106,695	124,105
Total direct expenditures	335,112	87,437	112,248	269,433	804,230
Indirect costs	60,616	21,680	22,700	55,960	160,956
Total expenditures	395,728	109,117	134,948	325,393	965,186
Net Change in Fund Balance	-	-	-	-	-
Fund Balance, Beginning of Year	-	-	-	-	-
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Minnesota Chippewa Tribe
Combining Balance Sheet –
U.S. Department of Health and Human Services Programs
September 30, 2018

	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	Total
Assets									
Grants receivable	\$ 33,191	\$ 142,245	\$ -	\$ 237,597	\$ 5,443	\$ 14,595	\$ 5,508	\$ -	\$ 438,579
Due from other funds	-	-	35,085	-	-	-	-	750	35,835
Prepaid items	-	947	-	-	-	-	-	-	947
Total assets	\$ 33,191	\$ 143,192	\$ 35,085	\$ 237,597	\$ 5,443	\$ 14,595	\$ 5,508	\$ 750	\$ 475,361
Liabilities and Fund Balance									
Liabilities									
Due to other funds	\$ 33,191	\$ 143,192	\$ -	\$ 107,727	\$ 6,951	\$ 14,595	\$ 5,508	\$ -	\$ 311,164
Accounts payable	-	-	5,705	129,870	-	-	-	-	135,575
Unearned revenue	-	-	29,380	-	-	-	-	750	30,130
Total liabilities	33,191	143,192	35,085	237,597	6,951	14,595	5,508	750	476,869
Fund Balance (Deficit)									
Nonspendable									
For prepaid items	-	947	-	-	-	-	-	-	947
Unassigned	-	(947)	-	-	(1,508)	-	-	-	(2,455)
Total fund balance (deficit)	-	-	-	-	(1,508)	-	-	-	(1,508)
Total liabilities and fund balance (deficit)	\$ 33,191	\$ 143,192	\$ 35,085	\$ 237,597	\$ 5,443	\$ 14,595	\$ 5,508	\$ 750	\$ 475,361

Minnesota Chippewa Tribe
Combining Schedule of Revenue, Expenditures, and Changes in Fund Balance –
U.S. Department of Health and Human Services Programs
Year Ended September 30, 2018

	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	Wisdom Steps Integrated Systems 133	Total
Revenue										
Intergovernmental - federal	\$ 420,090	\$ 506,212	\$ 95,626	\$ 344,149	\$ -	\$ 36,654	\$ 2,679	\$ 15,363	\$ -	\$ 1,420,773
Intergovernmental - state	-	-	-	75,224	-	-	-	-	-	75,224
Other	450	-	-	-	-	1,250	-	-	-	1,700
Total revenue	420,540	506,212	95,626	419,373	-	37,904	2,679	15,363	-	1,497,697
Expenditures										
Personnel	187,160	213,294	45,000	31,506	-	21,368	-	900	-	499,228
Fringe benefits	50,477	60,912	16,263	12,430	-	8,813	-	-	-	148,895
Travel/training	54,210	86,635	11,398	-	-	1,042	220	2,991	-	156,496
Office expenses	12,332	18,546	3,437	750	-	1,348	779	1,059	-	38,251
Pass through funds	-	-	14,254	304,612	-	-	-	-	-	318,866
Office and equipment rent	23,505	38,150	4,486	-	-	4,545	-	396	-	71,082
Other expenditures	19,822	18,262	788	62,270	-	788	1,680	7,898	867	112,375
Total direct expenditures	347,506	435,799	95,626	411,568	-	37,904	2,679	13,244	867	1,345,193
Indirect costs	73,034	70,413	-	7,805	-	-	-	2,119	-	153,371
Total expenditures	420,540	506,212	95,626	419,373	-	37,904	2,679	15,363	867	1,498,564
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-	-	-	-	-	(867)	(867)
Other Financing Sources Transfer in (out)	-	-	-	-	-	-	-	-	1,831	1,831
Net Change in Fund Balance	-	-	-	-	-	-	-	-	964	964
Fund Balance (Deficit), Beginning of Year	-	-	-	-	(1,508)	-	-	-	(964)	(2,472)
Fund Balance (Deficit), End of Year	\$ -	\$ -	\$ -	\$ -	\$ (1,508)	\$ -	\$ -	\$ -	\$ -	\$ (1,508)

Minnesota Chippewa Tribe
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2018

Federal Grantor/Pass Through Grantor/Program	Contract or Pass Through Number	CFDA Number	Expenditures	Amounts Passed- Through to Subrecipients
U.S. Department of Interior				
Passed-through the Bureau of Indian Affairs				
Tribal operations	A17AV00259/A10A10AV00370	15.021	\$ 395,728	
Scanning Project	A16AC0025	15.022	\$ 109,117	
Reconciliation Project	A16AC0030	15.022	<u>134,948</u>	
Total CFDA #15.022			244,065	
Johnson O'Malley	A14AV00360/A17AV00260	15.130	<u>325,390</u>	
Total U.S. Department of Interior				\$ 965,183
U.S. Department of Health and Human Services				
Direct programs				
NEW Program, 10/17 - 06/18	N/A	93.594	314,579	
NEW Program, 07/18 - 9/18	N/A	93.594	<u>106,500</u>	
Total CFDA #93.594				421,079
Passed through the Minnesota Board on Aging				
Disease Prevention/Health Promotion, 10/17 - 12/17	17AAMNTPH	93.043	220	
Disease Prevention/Health Promotion, 01/18 - 09/18	18AAMNT3PH	93.043	<u>2,459</u>	
Total CFDA #93.043				2,679
Caregiver Support, 10/17 - 12/17	17AAMNTFC	93.052	10,812	
Caregiver Support, 01/18 - 09/18	18AAMNT3FC	93.052	<u>27,091</u>	
Total CFDA #93.052				37,903
Aging cluster				
Title III, Part B Grants for Supportive Services and Senior Centers, 10/17 - 12/17	17AAMNT3SS	93.044	34,489	
Title III, Part B Grants for Supportive Services and Senior Centers, 01/18 - 09/18	18AAMNT3SS	93.044	61,137	
AAA Administration, 01/18 - 09/18	18AAMNT3	93.044	<u>52,689</u>	
Total CFDA #93.044				\$ 148,315
Home Delivered/Congregate Meals, 1/18 - 9/18	18AAMNT3HD/18AAMNT3CM	93.045	<u>240,367</u>	240,367
NSIP - Home Delivered/Congregate Meals, 10/17 - 12/17	17AAMNNSIP	93.053	10,893	
NSIP - Home Delivered/Congregate Meals, 1/18 - 9/18	18AAMNNSIP	93.053	<u>39,398</u>	
Total CFDA #93.053				50,291
Total aging cluster			438,973	
Passed through Minnesota Department of Human Services				
Minnesota Family Investment Program, 10/17 - 12/17	1702MNTANF	93.558	120,000	
Minnesota Family Investment Program, 1/18 - 9/18	1802MNTANF	93.558	<u>386,771</u>	
Total CFDA #93.558 (TANF Cluster)				506,771
Mental Health Training, 10/01/17 - 06/30/18	113471	93.958	<u>15,363</u>	
Total U.S. Department of Health and Human Services				1,422,768
Environmental Protection Agency				
Direct Programs				
Great Lakes Program	N/A	66.469	7,592	
General Assistance Program	N/A	66.926	<u>108,458</u>	
Total Environmental Protection Agency				116,050
U.S. Department of Agriculture				
Passed-through State of Minnesota				
Department of Human Services				
Rural Business Enterprise Grant	Unknown	10.773	<u>56,228</u>	
Total U.S. Department of Agriculture				56,228
U.S. Department of Justice				
Direct Programs				
Justice Assistance Grant	N/A	16.738		4,924
Total U.S. Department of Justice				4,924
U.S. Department of Labor				
Passed-through State of Minnesota Department of				
Employment & Economic Development				
Senior Community Service Employment, 10/17 - 6/18	AD-28755-16-55-A-27	17.235	36,264	
Senior Community Service Employment, 7/18 - 9/18	AD-28755-16-55-A-27	17.235	<u>8,055</u>	
Total CFDA #17.235				44,319
Total U.S. Department of Labor				44,319
Total Federal Financial Assistance			<u>\$ 2,609,472</u>	<u>\$ 309,536</u>

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Minnesota Chippewa Tribe under programs of the federal government for the year ended September 30, 2018. 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 only 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.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the modified accrual basis of accounting, except for subrecipient expenditures which are recorded on the cash basis. When applicable, 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 3 - Indirect Cost Rate

The organization has not elected to use the 10% de minimis cost rate.



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, 2018, and the related notes to the financial statements, which collectively comprise the Tribe's basic financial statements and have issued our report thereon dated March 31, 2021.

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 2018-001, 2018-002, 2018-003, 2018-004, 2018-005, 2018-006, and 2018-007.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2018-004 and 2018-008.

Tribe's Response to Findings

The Tribe's responses to the findings identified in our audit is 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.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Fargo, North Dakota
March 31, 2021



Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by 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, 2018. 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 Certain Major Federal Programs

As described in the accompanying schedule of findings and questions costs, the Minnesota Chippewa Tribe did not comply with the requirements regarding the following major federal program.

Finding Number	CFDA	Program	Compliance Requirement
2018-008	15.021	Tribal Operations	Allowable Activities/Allowable Costs

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 Certain Major Federal Programs

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 CFDA number 15.021 for the year ended September 30, 2018.

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, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2018-009 and 2018-010. Our opinion on each major federal program is not modified with respect to these matters.

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 2018-008, 2018-009, and 2018-010 that we consider to be material weaknesses.

Tribe's Response to Finding

The Tribe's responses to the 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.

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.



Fargo, North Dakota
March 31, 2021

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

Type of Auditor's Report Issued	Unmodified
Internal Control over Financial Reporting	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None reported
Noncompliance Material to Financial Statements Noted?	Yes

FEDERAL AWARDS

Internal Control over Major Programs	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None reported
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

Identification of Major Programs

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>	<u>Opinion</u>
Tribal Operations	15.021	Qualified
NEW Program	93.594	Unmodified
TANF Cluster	93.558	Unmodified

Dollar Threshold used to Distinguish Between Type A and Type B Programs	\$ 750,000
Auditee Qualified as Low-Risk Auditee?	No

Section II – Financial Statement Findings

**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.

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.

**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.

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.

**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.

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.

**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.

Management’s Response – The Tribe is currently trying to get their audit status to current with the Federal Government. Unfortunately, the FY 2018 financial statements were unavailable to be audited in a timely manner.

**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.

Management's Response –The Tribe will continue to look for further opportunities to segregate duties surrounding ATM and petty cash procedures.

**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.

Management's Response – The Tribe will continue to review their policies in this area.

**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.

Management's Response – The Tribe will continue to review their policies in this area.

Section III – Federal Award Findings and Questioned Costs

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

Federal program Information:

Federal Agency	Passed-through	CFDA Number	Program Title	Contract Number	Award Year
U.S. Department of Interior	Bureau of Indian Affairs	15.021	Tribal Operations	A17AV00259 A10AV00370	2018

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/Sampling – 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.

Repeat Finding from Prior year(s) – Yes, prior year finding 2017-009.

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

Views of Responsible Officials – Management of the Tribe is in agreement with the finding.

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

Federal program Information:

Federal Agency	Passed-through	CFDA Number	Program Title	Contract Number	Award Year
U.S. Dept. of Health and Human Services	Direct	93.594	NEW Program	N/A	2018
U.S. Dept. of Health and Human Services	Minnesota Dept. of Human Services	93.558	Minnesota Family Investment Program	1702MNTANF 1802MNTANF	2018

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/Sampling – 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.

Repeat Finding from Prior year(s) – Yes, prior year finding 2017-008 and 2017-009.

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

Views of Responsible Officials – Management of the Tribe is in agreement with the finding.

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

Federal program Information:

Federal Agency	Passed-through	CFDA Number	Program Title	Contract Number	Award Year
U.S. Dept. of Health and Human Services	Direct	93.594	NEW Program	N/A	2018

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

Repeat Finding from Prior year(s) – Yes, prior year finding 2017-010.

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

Views of Responsible Officials – Management of the Tribe is in agreement with the finding.