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CHEROKEE NATION®

Tahlequah, Oklahoma



Comprehensive Annual
Financial Report

Fiscal Year Ended September 30, 2019



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2019 Comprehensive Annual Financial Report

Fiscal Year Ended September 30, 2019
Prepared by Financial Resources Department
Cherokee Nation • Tahlequah, Oklahoma

CHEROKEE NATION
 Comprehensive Annual Financial Report
 For the Year Ended September 30, 2019

TABLE OF CONTENTS

I. INTRODUCTORY SECTION

| | |
|---|---|
| Transmittal Letter..... | 1 |
| Tribal Officials..... | 6 |
| Organizational Chart..... | 7 |
| Certificate of Achievement for Excellence in Financial Reporting..... | 8 |

II. FINANCIAL SECTION

| | |
|---|----|
| Independent Auditor's Report..... | 9 |
| Management's Discussion & Analysis..... | 12 |

A. Basic Financial Statements

Government-wide Financial Statements

| | |
|--------------------------------|----|
| Statement of Net Position..... | 25 |
| Statement of Activities..... | 26 |

Fund Financial Statements

| | |
|---|----|
| Balance Sheet - Governmental Funds..... | 27 |
| Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds..... | 28 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities..... | 29 |
| Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (GAAP Basis) - General Fund..... | 30 |
| Statement of Net Position - Proprietary Funds..... | 31 |
| Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds..... | 32 |
| Statement of Cash Flows - Proprietary Funds..... | 33 |
| Combining Statement of Net Position - Component Units..... | 34 |
| Combining Statement of Revenues, Expenses and Changes in Net Position - Component Units..... | 35 |
| Recast of the Combining Statement of Revenues, Expenses and Changes in Net Position - Component Units to the Statement of Activities..... | 36 |
| Notes to Basic Financial Statements..... | 37 |

TABLE OF CONTENTS (CONTINUED)

| | |
|---|----|
| B. Other Supplementary Information | |
| Nonmajor Governmental Funds | |
| Combining Balance Sheet - Nonmajor Governmental Funds..... | 86 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds..... | 87 |
| Nonmajor Enterprise Funds | |
| Combining Statement of Net Position - Nonmajor Enterprise Funds..... | 88 |
| Combining Statement of Revenues, Expenses and Changes in Fund Net Position - Nonmajor Enterprise Funds..... | 89 |
| Combining Statement of Cash Flows - Nonmajor Enterprise Funds..... | 90 |
| Internal Service Funds | |
| Combining Statement of Net Position - Internal Service Funds..... | 91 |
| Combining Statement of Revenues, Expenses and Changes in Fund Net Position - Internal Service Funds..... | 92 |
| Combining Statement of Cash Flows - Internal Service Funds..... | 93 |
| Budgetary Information | |
| Schedule of Revenues, Expenses and Changes in Fund Net Position - Budget and Actual (GAAP Basis) - Enterprise Funds..... | 94 |

III. STATISTICAL SECTION

| | |
|--|-----|
| Schedule of Net Position by Component..... | 95 |
| Changes in Net Position..... | 96 |
| Governmental Activities - Tax Revenues by Source..... | 97 |
| Fund Balances, Governmental Funds..... | 98 |
| Changes in Fund Balances, Governmental Funds..... | 99 |
| Governmental Activities - Motor Vehicle Tax Registrations..... | 100 |
| General Governmental Revenues by Source (GAAP Basis)..... | 101 |
| General Governmental Expenses by Function (GAAP Basis)..... | 102 |
| Outstanding Debt by Type..... | 103 |
| Pledged-Revenue Coverage..... | 104 |
| Demographic and Economic Statistics..... | 105 |
| Principal Employers..... | 106 |
| Tribal Citizenship..... | 107 |
| Tribal Citizenship by District..... | 108 |
| Tribal Land Base (Acres) by County..... | 109 |
| Primary Government Employees by Function..... | 110 |
| Operating Indicators by Function..... | 111 |
| Capital Asset Utilization by Function, Primary Government..... | 112 |
| Cherokee Students by District..... | 113 |

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Introductory Section



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918-453-5000 • www.cherokee.org

Office of the Chief

Chuck Hoskin Jr.
Principal Chief

Bryan Warner
Deputy Principal Chief

March 26, 2020

Principal Chief, Deputy Principal Chief, Tribal Council and Citizens of the Cherokee Nation:

We, the Cherokee Nation Financial Resources Department (Financial Resources), are pleased to submit the Comprehensive Annual Financial Report of the Cherokee Nation (the Nation) for the fiscal year ended September 30, 2019. Accountability for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Nation. We believe the data presented is accurate in all material aspects, and fairly presents the financial position and activities for the year ended September 30, 2019.

A comprehensive analysis of the Nation's financial position and activities for the year is contained in this report. It has been prepared by Financial Resources and conforms to the "pyramid" approach to governmental financial reporting as prescribed in National Council on Governmental Accounting (NCGA) Statement 1, "Governmental Accounting and Financial Reporting Principles."

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the basic financial statements. The MD&A should be read in conjunction with this transmittal letter.

The Nation's basic financial statements were audited by BKD, LLP CPAs & Advisors whose role serves to provide reasonable assurance that the financial statements are fairly stated in all material respects. See "Independent Auditor's Report" included with the comprehensive report.

Organization of the Government

The Nation is the largest federally recognized government of the Cherokee people and is one of the largest federally recognized tribes in the United States. The Nation has sovereign reservation status granted by treaty and law. The Nation is located within the 14 counties of northeastern Oklahoma with the boundary running northerly and southeasterly from Tulsa, Oklahoma to the Kansas and Arkansas state borders. The Cherokee Nation reservation—which consists of 6,950 square miles and includes all of six counties and portions of eight other counties—was established with the historical boundaries of the Cherokee Nation after the Treaty of 1866.

The Cherokee Constitution was amended by the Constitutional Convention in 1999 and ratified by a vote of the Cherokee citizens in 2003. This Constitution defines the distribution and separation of powers among the three branches of government. The three branches and their respective powers include the following:

Executive Branch

The executive power of the Cherokee Nation is vested in the Principal Chief, currently Chuck Hoskin Jr. The Deputy Principal Chief, currently Bryan Warner, aids and advises the Principal Chief in the administration of the government. The Principal Chief is responsible for the execution of the laws of the Cherokee Nation, establishment of tribal policy and delegation of authority, as is necessary for the administrative functions of the Cherokee Nation. The Principal Chief maintains an office at the W. W. Keeler Tribal Complex in Tahlequah (Cherokee County), Oklahoma. The Deputy Principal Chief is empowered to act as directed by the Principal Chief.

The Executive Branch of the Nation is organized with the Principal Chief and the Deputy Principal Chief serving as the final authorities of the administrative operations of the Nation. Within the Executive Branch is a four member Cabinet: the Treasurer, the Secretary of State, the Secretary of Natural Resources and the Secretary of Veteran's Affairs. The Treasurer, currently Tralynna Sherrill Scott, provides oversight and direction for the Nation on all financial matters, including annual budgets, investment of funds, and financial reporting in conformance with Generally Accepted Accounting Principles (GAAP). The Secretary of State, currently Tina Glory Jordan, is responsible for a variety of governmental functions including but not limited to the certification of petitions, referring amendments of the constitution to the people, and receipt of petitions, orders for initiatives, and oaths of office. The Secretary of Natural Resources, currently Chad Harsha, advises the Chief on natural resource issues and works to advance the Nation's top environmental strategic priorities. The Secretary of Veteran's Affairs, currently S. Joe Crittenden, acts as primary advisor to the Chief on all veteran-related issues affecting the Nation and its tribal veterans.

The Constitution also created an office of Attorney General and an office of Marshal. The Attorney General and Marshal are appointed by the Principal Chief and confirmed by the Tribal Council for a term of five (5) years. The terms of the Attorney General and Marshal shall not be concurrent. The Attorney General, currently Sara Hill, represents the Cherokee Nation in all criminal cases in the courts of the Nation, and in all civil actions wherein the Cherokee Nation is named as a party and shall have such other duties as prescribed by law. The Marshal, currently Shannon Buhl, provides law enforcement within the jurisdiction of the Cherokee Nation. The Marshal's duties and authority are prescribed by law.

The staff of the Principal Chief includes the Executive Directors of the respective departments who provide oversight and general direction. The major service departments of the Nation are the following: Career Services, Commerce Services, Community Services, Education Services, Health Services, Human Services and Indian Child Welfare. Resource departments provide support for the Nation's service departments, as follows: Financial Resources, Human Resources, Information Technology and Management Resources.

Legislative Branch

The Legislature consists of seventeen (17) Tribal Council members, who are citizens of the Cherokee Nation. The Tribal Council is elected to four-year terms from the fifteen districts of the Cherokee Nation and two at-large members who represent citizens living outside the reservation. The Council elects a Speaker, currently Joe Byrd, and a Deputy Speaker, currently Victoria Vazquez. The role of the Tribal Council is to adopt legislation and to conduct other business in the best interest of the Cherokee people.

Judicial Branch

The Judicial Branch consists of the Supreme Court and the Cherokee Nation District Court. Supreme Court Justices are appointed by the Principal Chief and confirmed by the Tribal Council. The Chief Justice currently is James G. Wilcoxon. The primary responsibility of the Justices is to hear and resolve any disagreements arising under the provisions of the Constitution or any enactment of the Tribal

Council. The District Court system hears all cases brought before it under jurisdiction of the Cherokee Nation Code Annotated, Title 20, Courts and Procedure.

Reporting Entity

The Nation determines its financial reporting entity in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14 “The Financial Reporting Entity”, GASB Statement No. 39, “Determining Whether Certain Organizations Are Component Units - an amendment of GASB Statement No.14”, GASB Statement No. 61, “The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34”, GASB Statement No. 80, “Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14”, and GASB Statement No. 90, “Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61”, as applicable, and, based on that criterion, has included the following entities as component units within the Nation’s basic financial statements.

Cherokee Nation Businesses, LLC (CNB) and its blended component units
Housing Authority of the Cherokee Nation of Oklahoma (HACN) and its blended component unit
Cherokee Nation Comprehensive Care Agency (CNCCA)
Cherokee Nation Home Health Services, Inc. (CNHHS)
Cherokee Health Partners, LLC (CHP)
Cherokee Nation Foundation (CNF)
Cherokee National Historical Society, Inc. (CNHS)
Cherokee Nation Economic Development Trust Authority (EDTA)

The nature of the activities of these organizations and the specific basis for inclusion as a component unit of the Nation are discussed in the notes to basic financial statements.

Internal Controls

The management of the Nation is responsible for ensuring that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with GAAP. Management of the Nation is also responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Nation are protected from loss, theft or misuse. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management. The Nation did not change any financial policies that had a significant impact on the fiscal year’s financial statements.

Single Audit

As a recipient of federal and state financial assistance, the Nation is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management of the Nation.

As a part of the Nation’s single audit, tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine that the Nation has complied with applicable laws and regulations. The results of the Nation’s single audit process for the fiscal year ended September 30, 2019 will be included in a separately issued Single Audit Report.

Budgetary Process

Title 62, §31-32 provides the legal level of budgetary control for the Cherokee Nation. The Executive and Finance Committee of the Tribal Council, upon direction of the Treasurer and with advisement from the Controller, shall formulate an annual appropriations bill. The bill shall contain the legal budgeted annual revenues and expenditures/expenses for the general fund and enterprise funds for the executive, legislative and judicial branches of government. The sources of revenue may be based upon estimates. The budgeted expenditures for these funds shall not exceed total estimated revenues and beginning fund balance and net position. Cherokee Nation limits uses of funds to the availability of the sources of revenues.

Should the need arise for management to transfer funds or propose additional appropriations, the Executive and Finance Committee of the Tribal Council, upon direction of the Treasurer and with advisement from the Controller, shall be responsible for proposing amendments to the annual appropriations law based upon material changes in real or estimated revenues and expenditures that affect the total amounts budgeted. Any amendments to the annual appropriations bill shall be presented to the Tribal Council for consideration and passage. Any funds received by the Cherokee Nation, the use of which is determined by the granting or contracting agency (special revenue funds) shall be used only for those purposes and under those conditions for which the funds are made available, and such funds are not subject to legal appropriation by the Tribal Council.

The basic financial statements contain a budget and actual comparative statement for the General Fund, a legally budgeted fund. A budgetary statement for enterprise funds, which are also legally budgeted, is included in the budgetary information section of Other Supplementary Information. Budgets for the Nation are prepared on the same basis of accounting as the financial statements.

Long-Term Financial Planning

Since fiscal year 2010, the Cherokee Nation primary government has increased its total assets by approximately \$1.4 billion or 307.9%. The Nation's long-term financial planning process involves a dedicated budgeting process that ensures discretionary resources are used to support the vision of the Nation: "Together: Community, Family, Culture." This planning process encompasses the annual financial budget process as well as long-term forecasting for use of the Nation's resources. Additionally, new ideas and efficiencies are continually being incorporated to further advance the Nation's initiatives which include greater emphasis on housing, healthcare, careers and education.

In December 2017, the Nation created the Cherokee Nation Sovereign Wealth Fund (CNSWF). The two largest funds within the CNSWF are the Education Reserve and the Emergency Reserve. Intended to provide financial security in the event of unforeseen future issues, these reserve funds will be invested for growth purposes under the direction of the Treasurer.

The Nation has continued to improve access to healthcare through the construction of new and expanded healthcare facilities funded in part by a \$179.6 million capital investment by CNB. In 2017, construction began on the latest healthcare facility project within this capital expansion campaign – the Tahlequah Outpatient Joint Venture Project. This project is primarily being financed through loan proceeds and remaining committed capital from CNB. The facility was substantially completed in 2019 and it is estimated that the Nation will receive approximately \$100 million annually in additional staffing and operational funding from Indian Health Services (IHS).

Through expansion of its component units, the Nation works to establish a productive, sustainable economy for the citizens of the Nation. In addition to creating greater opportunities through its

component units, the Nation has been successful in partnering with outside entities to attract new industries and create jobs within the Nation's reservation.

Use of the Report

This report will be submitted to the Federal Audit Clearinghouse in compliance with the requirements of the Office of Management and Budget (OMB) 2 CFR 200 "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards". Copies of the reports will also be submitted to elected officials of the Nation and various other agencies which require copies as a condition of funding provided to the Nation under grants and contracts. Use of this report by the departments of the Nation is encouraged.

Readers of this report should refer to Management's Discussion and Analysis for better understanding of the financial activities of the Nation. The MD&A provides the reader with an easily readable discussion of the basic financial statements, significant differences, comparative analyses, fund financial analysis, significant budget variations, and facts, decisions or conditions which have or are expected to have a significant effect on the Nation's financial position or activities.

Certificate of Achievement

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to Cherokee Nation for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2018. This was the eighteenth consecutive year that the Nation has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The members of Financial Resources believe that the current CAFR continues to meet the Certificate of Achievement Program's requirements. We will be submitting the CAFR to the GFOA to determine its eligibility for another certificate.

Acknowledgements

The preparation of the 2019 CAFR was a tremendously involved task requiring the professional skills of the entire Financial Resources Department. I would like to express my gratitude to the Financial Resources Department for their dedication and continuous hard work. I would also like to thank BKD, LLP CPAs & Advisors, independent auditors for the Cherokee Nation, for their guidance and technical assistance in completing this CAFR.

Respectfully submitted,



Tralynna Sherrill Scott
Treasurer
Cherokee Nation

Cherokee Nation Tribal Officials

EXECUTIVE BRANCH

Chuck Hoskin Jr.
Principal Chief

Bryan Warner
Deputy Principal Chief

LEGISLATIVE BRANCH

Joe Byrd
Speaker
District 2

Victoria Vazquez
Deputy Speaker
District 11

Rex Jordan
District 1

Wes Nofire
District 3

Mike Dobbins
District 4

E.O. "Junior" Smith
District 5

Daryl Legg
District 6

Canaan Duncan
District 7

Shawn Crittenden
District 8

Mike Shambaugh
District 9

Harley Buzzard
District 10

Dora Patzkowski
District 12

Joe Deere
District 13

Keith Austin
District 14

Janees Taylor
District 15

Mary Baker Shaw
At Large

Julia Coates
At Large

JUDICIAL BRANCH

Supreme Court

James G. Wilcoxon
Chief Justice

John C. Garrett
Justice

Lee W. Paden
Justice

Vacant
Justice

Mark L. Dobbins
Justice

District Court

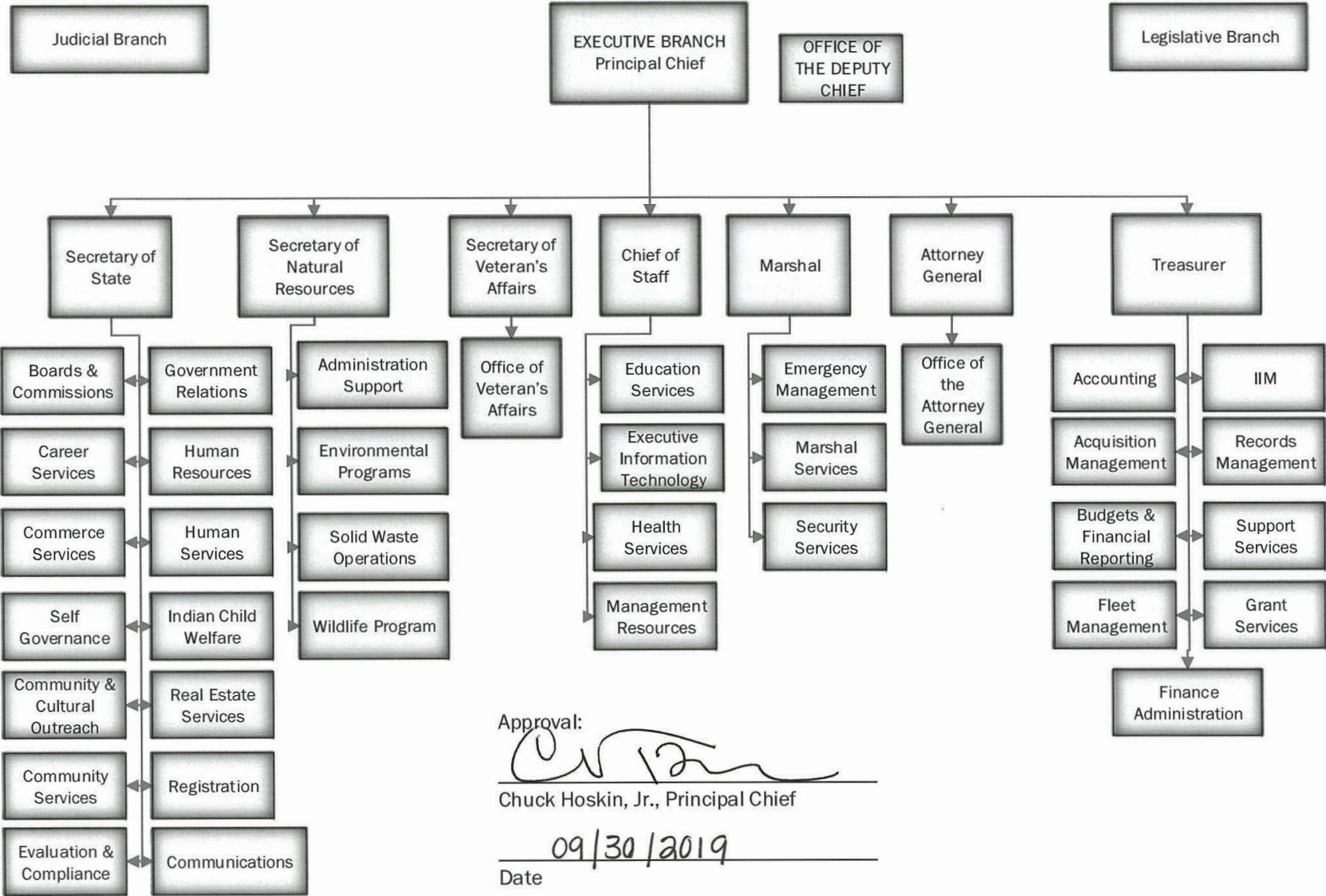
T. Luke Barteaux
Presiding Judge

Crystal R. Jackson
Judge



CHEROKEE NATION ORGANIZATIONAL CHART

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CHEROKEE NATION®



Approval:

Chuck Hoskin, Jr., Principal Chief

09/30/2019

Date



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Cherokee Nation
Oklahoma**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2018

Christopher P. Morrill

Executive Director/CEO

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Financial Section

Independent Auditor's Report

Principal Chief and Tribal Council
Cherokee Nation
Tahlequah, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the Cherokee Nation (the Nation), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Nation'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 did not audit the financial statements of the Housing Authority of the Cherokee Nation (HACN), the Cherokee Nation Comprehensive Care Agency (CNCCA), Cherokee Health Partners, LLC (CHP), the Cherokee Nation Foundation (CNF) or the Cherokee National Historical Society, Inc. (CNHS), which are discretely presented component units of the Nation. The financial statements of HACN, CNCCA, CHP, CNF and CNHS, which collectively comprise approximately 12.4% of total assets and 3.4% of total operating revenues of the aggregate discretely presented component units, were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for HACN, CNCCA, CHP, CNF and CNHS, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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.

Principal Chief and Tribal Council
Cherokee Nation

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, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the Nation as of September 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in *Note 18* to the financial statements, in July 2019, the governor of the State of Oklahoma announced his position that the State-Tribal Class III Gaming Compacts (the Compact) would terminate effective December 31, 2019. The Nation and other compacted tribes objected to the governor's position and asserted the Compact "shall automatically renew" as prescribed in clause Part 15.B. of the Compact. The effects, if any, as a result of this disagreement are not reflected in these financial statements. Our opinions are not modified with respect to this matter.

As discussed in *Note 19* to the financial statements, as a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen that may negatively affect the financial position, changes in financial position and cash flows of the Nation and its discretely presented component units. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Nation's basic financial statements. The accompanying other supplementary information, introductory section and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Principal Chief and Tribal Council
Cherokee Nation

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

The introductory and statistical sections, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

BKD, LLP

Tulsa, Oklahoma
March 26, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Nation's management provides Management's Discussion and Analysis (MD&A) of the Comprehensive Annual Financial Report (CAFR) as a tool for readers of the Nation's financial statements for the fiscal year ended September 30, 2019. Readers of the Nation's financial statements are encouraged to utilize this information in conjunction with the information provided in the letter of transmittal, which precedes this section, and the accompanying basic financial statements and disclosures following this section.

Financial Highlights

The Nation's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the end of fiscal year 2019 by \$1.4 billion (net position). Of this total amount, \$92.8 million is unrestricted net position that may be used to meet the government's ongoing obligations.

The Nation's overall liabilities and deferred inflows of resources at the end of fiscal year 2019 increased by approximately \$58.9 million to \$450.9 million.

The overall net position increased by \$154.6 million, which is largely attributable to the recognition of income on investment in component units, capital contributions from CNB and dividends from component units.

The Nation's governmental funds reported total ending fund balance of \$285.3 million at the end of fiscal year 2019. This compares to the prior year ending fund balance of \$197.7 million showing an increase of \$87.6 million during the current year. Unassigned fund balance is \$34.1 million for fiscal year 2019.

At the end of the current fiscal year, unassigned fund balance for the General Fund was \$34.1 million or 31.9% of total General Fund expenditures including transfers out and 26.6% of total General Fund revenues including insurance recoveries and transfers in.

Overview of the Financial Statements

Basic Financial Statements

This discussion and analysis serves as an introduction to the Nation's basic financial statements. The Nation's basic financial statements are comprised of government-wide financial statements, fund financial statements, and notes to the basic financial statements. The CAFR also contains other information to supplement the basic financial statements.

Government-wide Financial Statements

The *Government-wide Financial Statements* provide a broad overview of the Nation's finances and operations in a manner similar to private-sector business. The statements provide information about the Nation's financial position on both a short-term and long-term basis. The statements are prepared using the accrual basis of accounting and an economic resources measurement focus. The government-wide financial statements include the Statement of Net Position and the Statement of Activities.

The *Statement of Net Position* presents the assets, deferred outflows of resources, liabilities and deferred inflows of resources for the entire Nation, with the difference between the assets and deferred outflows of resources less liabilities and deferred inflows of resources reported as "net position." Increases or

decreases in net position over time can serve as an indicator of the improvement or decline in the Nation's financial position.

The *Statement of Activities* presents information about how the Nation's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of when the related cash flows occur. Utilizing this method, revenues and expenses are reported when earned and incurred, rather than when cash is received or expended.

The financial statements include separate sections for three different types of activities. The three types are as follows:

Governmental Activities presents information about activities supported by dividends from component units, taxes, intergovernmental revenues (state and federal grants), and private grants. The services provided by the Nation's government generally fall into this category, including tribal government, health services, education services, human services, and community services.

Business-type Activities are intended to recover all or a substantial portion of their costs through user fees and charges to external users of the goods and services. The active business-type activities of the Nation include the Tsa-La-Gi Apartments, Title VI Loan Fund, CN Sanitary Landfill, and Economic Development Trust Authority (EDTA).

Discretely Presented Component Units are the operations for which the Nation has financial accountability, but have certain independent qualities, such as an independent Board of Directors. For the most part, these units operate similar to private-sector business. The Nation's discretely presented component units are:

Cherokee Nation Businesses, LLC (CNB) and its blended component units
Housing Authority of the Cherokee Nation of Oklahoma (HACN) and its blended component unit
Cherokee Nation Comprehensive Care Agency (CNCCA)
Cherokee Nation Home Health Services, Inc. (CNHHS)
Cherokee Health Partners, LLC (CHP)
Cherokee Nation Foundation (CNF)
Cherokee National Historical Society, Inc. (CNHS)

The government-wide financial statements can be found immediately following this discussion and analysis.

Fund Financial Statements

A fund is a group of related accounts that is used to maintain control over resources that have been separated for specific activities or objectives. The Nation, like state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements focus on individual activities of the Nation's government, providing more detail than the government-wide financial statements. The funds of the Nation are divided into three types, which use different accounting approaches and should be interpreted differently. The three types of funds are:

Governmental Funds are used to account for the same governmental functions as reported in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on the near-term inflows and outflows of expendable resources. These fund statements also focus on the balances of expendable resources available at the end of the fiscal year. This approach to financial reporting is known as using the current financial

resources measurement focus and the modified accrual basis of accounting. This method may be useful in evaluating the government's near-term financing requirements. These statements provide a short-term view of the Nation's finances that assist in determining if there will be sufficient financial resources to meet the current needs of the Nation. Most of the services provided by the Nation are financed and reported through the governmental funds.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the readers may better understand the long-term impact of the government's near-term financing decisions. The Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on pages 27 and 29 of the financial statements.

The Nation maintains six major governmental funds, each presented in a separate column in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances. The Nation's six major governmental funds are the General, PL 102-477, Department of Transportation (DOT), Self Governance Department of Health and Human Services (DHHS), Housing and Urban Development (HUD) and Capital Projects Fund. In addition, the Nation maintains thirteen nonmajor governmental funds, shown aggregated, including two permanent funds to account for other governmental activity. The governmental funds statements can be found on pages 27 and 28 of this report.

Proprietary Funds are used to show activities which operate similar to private-sector enterprises. These funds charge fees for goods and services provided to customers and are known as proprietary funds. Proprietary funds provide the same type of information as the business-type activities in the government-wide financial statements, except in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. There is no separate reconciliation needed between the proprietary fund financial statements and the government-wide financial statements for business-type activities.

The proprietary funds financial statements can be found on pages 31 - 33 following the governmental fund financial statements. The Nation's proprietary funds include Enterprise and Internal Service Funds, which are described below.

Enterprise Funds — The Nation has no major enterprise funds and four nonmajor enterprise funds for presentation purposes. The nonmajor funds are the Nation's Tsa-La-Gi Apartments, Title VI Loan Fund, CN Sanitary Landfill and Economic Development Trust Authority (EDTA). The nonmajor enterprise combining financial statements can be found on pages 88 - 90 of this report.

Internal Service Funds are used to account for activities related to goods and services provided by one department to other departments of the Nation and to other governmental units, on a cost reimbursement basis. The internal service funds are:

Internal Leases which is used to account for the cost to maintain buildings for use by other funds of the Nation.

Fringe Pool which is used to account for the cost of fringe benefits, including the Nation's self-insured healthcare and worker's compensation benefits, used by other funds of the Nation.

Indirect Cost Pool which is used to account for the cost of providing certain services, such as accounting, human resources, information technology and acquisition management, to other funds of the Nation.

The internal service funds combining financial statements can be found on pages 91 - 93 of this report.

Cherokee Nation Component Unit Financial Statements, as previously mentioned above, are operations over which the Nation has financial accountability, but they have independent qualities as well, similar to private-sector business. The government-wide financial statements present information for the discretely presented component units in a single column. The Combining Statement of Net Position and the Combining Statement of Revenues, Expenses and Changes in Net Position present detail for each of the seven discretely presented component units.

The financial statements for component units can be found on pages 34 - 36 of this report.

Notes to Basic Financial Statements

The notes to basic financial statements provide additional information that is essential for a full understanding of the data provided in the government-wide and the fund financial statements. The notes to basic financial statements can be found on pages 37 - 85 of this report.

Supplementary Information

The basic financial statements are followed by a section of supplementary information. This section of the report includes combining schedules for nonmajor governmental and enterprise funds, internal service funds and a budgetary comparison schedule for the Nation's enterprise funds. The supplementary information section begins on page 86.

Statistical Information

The statistical section provides financial statement users with additional detailed information as a context for understanding the information in the financial statements, notes to the basic financial statements, and other supplementary information as it relates to the government's overall financial health. Included in the statistical section are schedules related to financial trends, revenue capacity, debt capacity, demographic and economic indicators, and operating information. The statistical information section begins on page 95.

Comparative Analysis for Major Funds

The following is a comparative analysis for the Nation's major funds (dollars in thousands):

| <u>Major Fund</u> | <u>2019</u> | <u>2018</u> | <u>Increase/ (Decrease)</u> | <u>Percent Increase/ (Decrease)</u> |
|---|-------------|-------------|---------------------------------|---|
| General Fund | | | | |
| Revenues, insurance recoveries & transfers in | \$ 128,150 | \$ 119,895 | \$ 8,255 | 6.9 % |
| Expenditures & transfers out | 106,906 | 104,015 | 2,891 | 2.8 % |
| Fund Balance | 136,448 | 115,204 | 21,244 | 18.4 % |
| PL 102-477 | | | | |
| Revenues, insurance recoveries & transfers in | 30,176 | 18,569 | 11,607 | 62.5 % |
| Expenditures & transfers out | 29,577 | 18,395 | 11,182 | 60.8 % |
| Fund Balance | 1,530 | 931 | 599 | 64.3 % |
| Department of Transportation | | | | |
| Revenues, insurance recoveries & transfers in | 18,054 | 10,118 | 7,936 | 78.4 % |
| Expenditures & transfers out | 18,054 | 10,118 | 7,936 | 78.4 % |
| Fund Balance | - | - | - | 0.0 % |
| Self Governance DHHS | | | | |
| Revenues, insurance recoveries & transfers in | 390,509 | 334,945 | 55,564 | 16.6 % |
| Expenditures & transfers out | 342,658 | 311,643 | 31,015 | 10.0 % |
| Fund Balance | 109,806 | 61,955 | 47,851 | 77.2 % |
| Housing and Urban Development | | | | |
| Revenues, insurance recoveries & transfers in | 28,002 | 28,496 | (494) | (1.7)% |
| Expenditures & transfers out | 27,297 | 28,125 | (828) | (2.9)% |
| Fund Balance | 2,126 | 1,421 | 705 | 49.6 % |
| Capital Projects Fund | | | | |
| Revenues, insurance recoveries & transfers in | 101,812 | 82,700 | 19,112 | 23.1 % |
| Expenditures & transfers out | 87,222 | 80,241 | 6,981 | 8.7 % |
| Fund Balance | 12,441 | (2,149) | 14,590 | 678.9 % |

The General Fund represents the operating activities of the tribal government. The fund balance of the General Fund increased \$21.2 million during fiscal year 2019. Revenues increased due to increased dividends from component units, increased revenues from the MOU with the Marshal Service and increased motor vehicle registration taxes, registration fees and cigarette tax collections. General Fund received more transfers in of interest from the Self Governance DHHS, SG DOI Other, and Department of Transportation programs as well as a transfer in from the Fringe Pool during fiscal year 2019 as opposed to fiscal year 2018. Expenditures increased due to programs such as Registration Gen Fund, Marshal Service CNE Contract, Tribal Election Fund, Emergency Management Disaster Fund, District Court Gen Fund, and TERO Job Training programs. Transfers out increased for the Catoosa Tax Commission building as well as matching grant funds for Self Governance DHHS and Other Grants programs.

The PL 102-477 fund reported an increase in fund balance of \$0.6 million. PL 102-477 revenues and expenditures increased due to the programs receiving additional funding during fiscal year 2019.

The Department of Transportation fund did not maintain fund balance at the end of fiscal year 2019. Department of Transportation saw both the revenues and transfers in and expenditures and transfers out increase primarily due to the number of road projects currently under construction.

In fiscal year 2019, the Self Governance DHHS fund reported an increase in fund balance of \$47.9 million. Self Governance DHHS revenues and transfers in increased in fiscal year 2019 due to expanded services and an increase in efficiency in third party revenue collections. Self Governance DHHS expenditures and transfers out increased in fiscal year 2019 as a result of expenditures for programs such as Health Clinic Construction Debt Service, Pharmacy Refill Center, Health IT System, Cherokee Nation Outpatient Health Clinic (CNOHC), Behavioral Health Pediatrics and CN W.W. Hastings Hospital.

The Housing and Urban Development fund had an increase of \$0.7 million in fund balance. Housing and Urban Development saw revenues and transfers in as well as expenditures and transfers out decrease for programs primarily due to the completion of programs such as the ICDBG Retail Incubator grant, CN Housing Rehab for Elderly grant and the Title VI Debt Subsidy.

In fiscal year 2019, the Capital Projects fund reported an increase in fund balance of \$14.6 million. Capital Projects fund revenues and transfers in increased due to receipt of funding for health equipment for the CNOHC and for the Catoosa Tax Commission Building project offset by a decrease in the issuance of long-term debt due to the substantial completion of the CNOHC. The Capital Projects fund expenditures increased due to the purchase of health equipment and supplies for the new CNOHC. Transfers out were not made during fiscal year 2019.

Government-Wide Financial Analysis

Net Position

Net position, over time, may serve as a useful indicator of a government's financial position. In the case of the Nation, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1.4 billion at the close of the most recent fiscal year. The following table on the next page presents the Nation's net position for the primary government (dollars in thousands):

| Cherokee Nation's Net Position | | | | | | | |
|-------------------------------------|--------------|--------------|---------------|-----------|--------------|--------------|-------------------------|
| | Governmental | | Business-Type | | Total | | Increase/ (Decrease) |
| | Activities | | Activities | | | | |
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | |
| Current and other assets | \$ 1,484,938 | \$ 1,342,662 | \$ 17,256 | \$ 17,974 | \$ 1,502,194 | \$ 1,360,636 | \$ 141,558 |
| Capital assets | 389,943 | 321,432 | 2,377 | 1,231 | 392,320 | 322,663 | 69,657 |
| Total assets | 1,874,881 | 1,664,094 | 19,633 | 19,205 | 1,894,514 | 1,683,299 | 211,215 |
| Deferred outflows of resources | 2,297 | 18 | - | - | 2,297 | 18 | 2,279 |
| Long-term debt outstanding | 168,112 | 117,804 | 1,231 | 1,983 | 169,343 | 119,787 | 49,556 |
| Other liabilities | 277,588 | 258,219 | 3,965 | 3,590 | 281,553 | 261,809 | 19,744 |
| Total liabilities | 445,700 | 376,023 | 5,196 | 5,573 | 450,896 | 381,596 | 69,300 |
| Deferred inflows of resources | - | 10,402 | - | - | - | 10,402 | (10,402) |
| Net investment in capital assets | 208,456 | 189,233 | 2,015 | 647 | 210,471 | 189,880 | 20,591 |
| Restricted | 1,142,623 | 1,029,195 | - | - | 1,142,623 | 1,029,195 | 113,428 |
| Unrestricted | 80,399 | 59,259 | 12,422 | 12,985 | 92,821 | 72,244 | 20,577 |
| Total net position | \$ 1,431,478 | \$ 1,277,687 | \$ 14,437 | \$ 13,632 | \$ 1,445,915 | \$ 1,291,319 | \$ 154,596 |

The largest portion of the Nation's net position (79.0%) represents resources that are subject to external restrictions on how they may be used. An additional portion of the Nation's net position (14.6%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and vehicles), less any related outstanding debt that was used to acquire those assets. The Nation uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the Nation's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of \$92.8 million is unrestricted and may be used to meet the government's ongoing obligations to its creditors and provide services to the citizens.

At September 30, 2019, the Nation reported positive net position for the government as a whole, as well as for its separate governmental and business-type activities. The Nation's overall net position increased \$154.6 million from the prior fiscal year. The reasons for this overall increase are discussed in the following section for governmental and business-type activities.

Changes in Net Position

The Nation's net position increased \$154.6 million, approximately 52.7% more than the prior year increase of \$101.3 million, for an ending balance of \$1.4 billion. The governmental activities and business-type activities had increases of \$153.8 million and \$.8 million, respectively.

The Nation's total revenues increased 14.6% to \$766.1 million in fiscal year 2019. Program revenue generated \$630.6 million, consisting of charges for services, federal and state grants, and other

contributions, up from \$549.5 million from the prior fiscal year. Capital grants and contributions revenue increased \$25.1 million in capital contributions related primarily to the contributions for health related equipment and the donation of the old Tahlequah Casino buildings and improvements.

Tobacco tax and fees, one of the larger increases of the general revenues, increased \$2.4 million as a result of increased collections of cigarette and tobacco taxes per the compact as compared to the previous fiscal year.

Expenses for the primary government increased 7.8% or \$44.1 million to \$608.3 million. The Nation's expenses cover a range of services, including programs classified as tribal government, health services, education services, human services and community services functions. Significant changes include:

Tribal government expenses increased \$11.3 million (34.0%). This increase is due in part to expenditures for programs such as Marshal Service CNE Contract, Tribal Election Commission, Emergency Management Disaster Fund, District Court GF, TERO Tribal Job Training and MVT Local Law Enforcement.

Health services expenses increased \$6.1 million (1.8%) due to programs such as the Health IT System, CN Tribal Opioid Response and Pharmacy Refill Center.

Education services expenses increased \$4.3 million (6.4%). This increase is due to increases for programs such as Head Start, Early Head Start, Trade Economic Transition National Dislocated Workers Grant (NDWG), MVT Public School Coop, DOL Disability Employment Initiative and Cherokee Charter School.

Human services expenses increased \$10.7 million (21.9%). This increase is attributed to increases for programs such as PL 102-477 Child Care, SG Indian Child Welfare and SG General Assistance.

Community services expenses increased \$9.4 million (11.7%) due to programs such as Department of Transportation Roads and the Tax Commission.

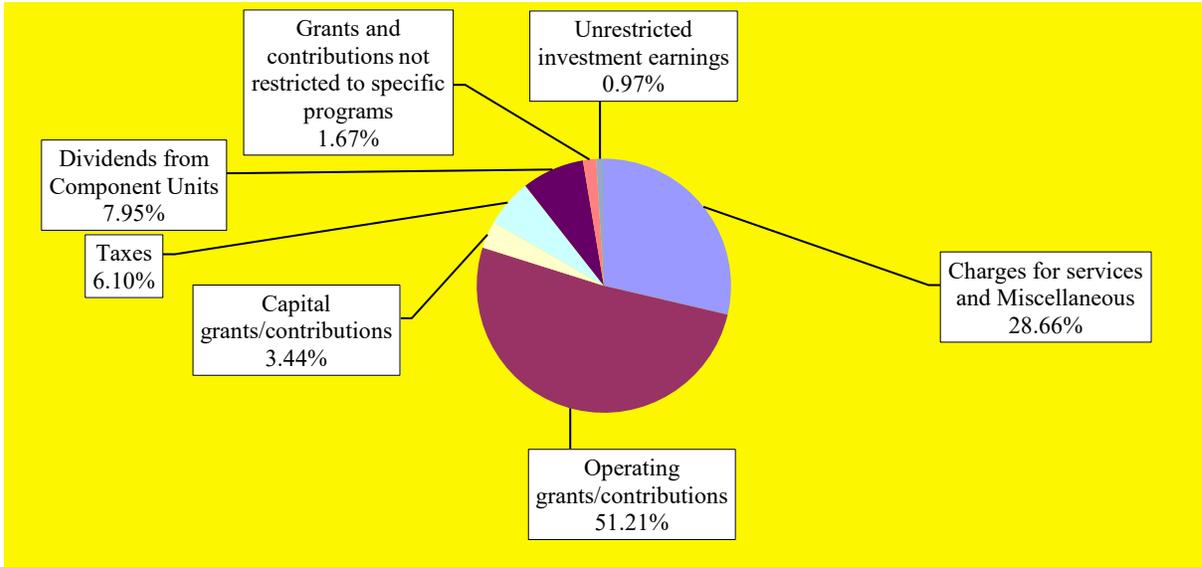
The changes in net position during 2019 are as follows on the following page (dollars in thousands):

Cherokee Nation's Changes in Net Position

| | Governmental | | Business-Type | | Total | |
|--|---------------------|---------------------|------------------|------------------|---------------------|---------------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 210,975 | \$ 212,328 | \$ 2,178 | \$ 2,558 | \$ 213,153 | \$ 214,886 |
| Operating grants/contributions | 391,164 | 333,446 | - | - | 391,164 | 333,446 |
| Capital grants/contributions | 26,285 | 1,141 | - | - | 26,285 | 1,141 |
| General revenues: | | | | | | |
| Motor fuel tax | 10,945 | 9,038 | - | - | 10,945 | 9,038 |
| Motor vehicle tax | 16,766 | 15,867 | - | - | 16,766 | 15,867 |
| Tobacco tax and fees | 14,245 | 11,831 | - | - | 14,245 | 11,831 |
| Sales tax | 4,639 | 4,616 | - | - | 4,639 | 4,616 |
| Grants and contributions not restricted to specific programs | 12,776 | 11,292 | - | - | 12,776 | 11,292 |
| Unrestricted investment earnings | 7,433 | 3,177 | - | - | 7,433 | 3,177 |
| Litigation settlement | - | 36 | - | - | - | 36 |
| Dividends from component units | 60,734 | 55,983 | - | - | 60,734 | 55,983 |
| Miscellaneous | 7,934 | 7,280 | - | - | 7,934 | 7,280 |
| Total revenues | <u>763,896</u> | <u>666,035</u> | <u>2,178</u> | <u>2,558</u> | <u>766,074</u> | <u>668,593</u> |
| Expenses: | | | | | | |
| Tribal government | 44,454 | 33,171 | - | - | 44,454 | 33,171 |
| Health services | 339,118 | 333,037 | - | - | 339,118 | 333,037 |
| Education services | 71,235 | 66,958 | - | - | 71,235 | 66,958 |
| Human services | 59,403 | 48,750 | - | - | 59,403 | 48,750 |
| Community services | 89,261 | 79,903 | - | - | 89,261 | 79,903 |
| Interest on long-term debt | 4,794 | 2,385 | - | - | 4,794 | 2,385 |
| Total governmental expenses | <u>608,265</u> | <u>564,204</u> | <u>-</u> | <u>-</u> | <u>608,265</u> | <u>564,204</u> |
| Tsa-La-Gi Apartments | - | - | 544 | 655 | 544 | 655 |
| Title VI Loan Fund | - | - | 2 | 33 | 2 | 33 |
| CN Solitary Landfill | - | - | 2,398 | 2,184 | 2,398 | 2,184 |
| EDTA | - | - | 269 | 250 | 269 | 250 |
| Total business-type expenses | <u>-</u> | <u>-</u> | <u>3,213</u> | <u>3,122</u> | <u>3,213</u> | <u>3,122</u> |
| Increase (decrease) in net position before transfers | 155,631 | 101,831 | (1,035) | (564) | 154,596 | 101,267 |
| Transfers | (1,840) | (1,663) | 1,840 | 1,663 | - | - |
| Change in net position | 153,791 | 100,168 | 805 | 1,099 | 154,596 | 101,267 |
| Net position—Beginning of year | <u>1,277,687</u> | <u>1,177,519</u> | <u>13,632</u> | <u>12,533</u> | <u>1,291,319</u> | <u>1,190,052</u> |
| Net position—End of year | <u>\$ 1,431,478</u> | <u>\$ 1,277,687</u> | <u>\$ 14,437</u> | <u>\$ 13,632</u> | <u>\$ 1,445,915</u> | <u>\$ 1,291,319</u> |

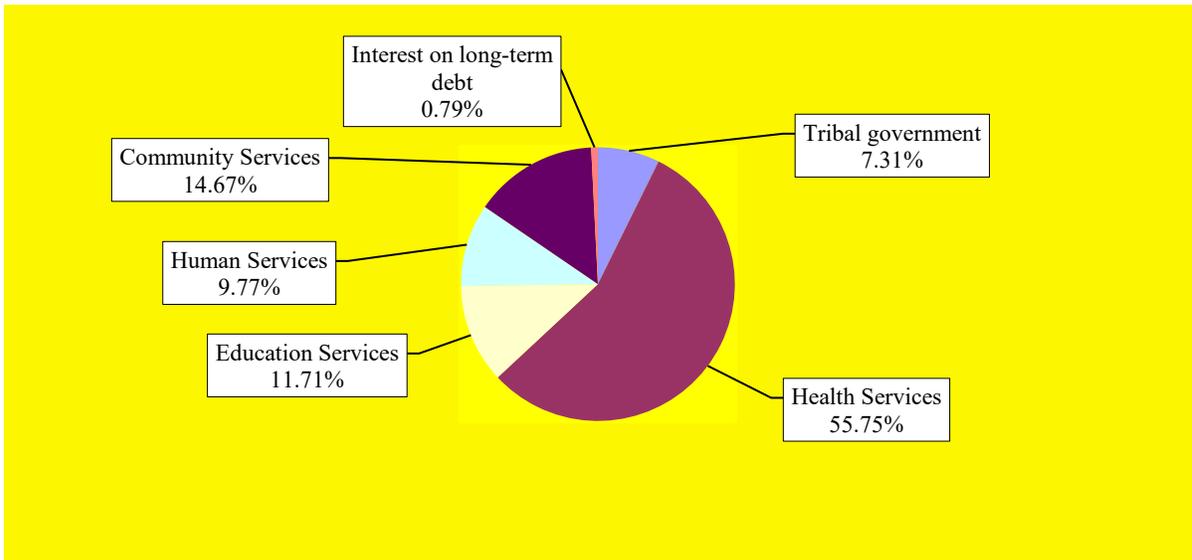
Graph 1 depicts revenues by source for the Governmental Activities of the Nation.

Graph 1 – Revenues by Source - Governmental Activities



Graph 2 depicts expenses by function for the Governmental Activities of the Nation.

Graph 2 - Expenses - Governmental Activities



For more detailed information on the charts presented above, refer to the Statement of Activities on page 26.

Significant Budget Variations

The Nation’s significant General Fund budget variations in 2019 were as follows (dollars in thousands):

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Increase/ (Decrease)</u> | <u>Percentage Increase/ (Decrease)</u> | <u>Actual</u> | <u>Variance Increase/ (Decrease)</u> | <u>Percentage Increase/ (Decrease)</u> |
|--------------------------------|------------------------|---------------------|-----------------------------|--|---------------|--------------------------------------|--|
| Revenues: | | | | | | | |
| Motor fuel tax | 7,949 | 7,949 | - | - % | 10,945 | 2,996 | 38% |
| Interest | 101 | 101 | - | - % | 2,326 | 2,225 | 2203% |
| Dividends from component units | 50,690 | 50,690 | - | - % | 60,734 | 10,044 | 20% |
| Expenditures: | | | | | | | |
| Tribal government | 40,609 | 53,399 | 12,790 | 31% | 24,680 | (28,719) | (54%) |
| Education services | 35,324 | 37,651 | 2,327 | 7% | 33,376 | (4,275) | (11%) |
| Community services | 43,361 | 49,039 | 5,678 | 13% | 29,968 | (19,071) | (39%) |
| Capital outlay | 4,615 | 4,687 | 72 | 2% | 616 | (4,071) | (87%) |

The Nation’s Tribal Council approved a comprehensive annual budget prior to the beginning of the fiscal year. During the year, budget modifications were submitted to Council based upon anticipated changes in levels of actual revenues and expenditures/expenses. Variances between actual and final General Fund budget were as follows:

Motor fuel tax — The actual revenues collected were more than budget due to increased collections of fuel taxes as part of the Compact.

Interest — The actual revenue was more than budget primarily due to interest earnings on the MFT Education Reserve, General Fund Operations and CN Tax Commission Tag Office.

Dividends from component units — Actual revenue was higher than budget due to a higher Net Income for Component Units.

Tribal government — The actual expenditures were less than budget, primarily caused by reserves established for cash match for grants and contingencies which were not utilized in 2019 as well as other program expenditures not fully expended at the level budgeted for programs such as Litigation, Employee Performance Incentive, Tribal Election Fund, CN Water Plan, Tribal Leases Realty, Registration Gen Fund, Attorney General and MVT Local Law Enforcement.

Education services — Actual expenditures were less than budget as a result of programs spending at a lesser than budget rate including MFT Education Reserve, MFT Higher Ed Scholarships, Economic Development, Cherokee Charter School, Career Pathways, MVT Public School Coop, Directed Studies Program, Sequoyah Activity Fund, Tribal Training Services and Concurrent Enrollment.

Community services — The actual expenditures were less than budget as a result of reserves of Motor Vehicle Taxes allocated for education, roads and law enforcement programs not utilized in 2019 and timing of projects including roads construction and bridge construction in the Motor Fuel Tax and

Motor Vehicle Tax programs. Other programs, such as the Tax Commission did not expend funds at the level budgeted.

Capital outlay — The Nation’s budget included approximately \$4.7 million for strategic land purchases from the proceeds of the Arkansas Riverbed settlement funds of which \$0.1 million was utilized during 2019. The unused portion of the budgeted balance was offset by increased capital expenditures that were more than budget for programs such as Facilities Improvement, Land Development Land Ops, Tax Commission and Emergency Management Disaster Fund.

Capital Assets and Debt Administration

The Nation’s capital assets, net of depreciation, at the end of fiscal year 2019 were \$392.3 million. The Nation has no public domain (infrastructure) capital assets. The following table presents details of the Nation’s capital assets, net of depreciation (dollars in thousands):

| | Governmental Activities | Business-type Activities | Total |
|----------------------------|------------------------------------|-------------------------------------|-------------------|
| Land and improvements | \$ 21,962 | \$ 1,843 | \$ 23,805 |
| Construction in progress | 155,471 | - | 155,471 |
| Buildings and improvements | 175,516 | 135 | 175,651 |
| Equipment | 36,994 | 399 | 37,393 |
| Total capital assets | <u>\$ 389,943</u> | <u>\$ 2,377</u> | <u>\$ 392,320</u> |

Additional information on the Nation’s capital assets can be found in Note 7 on pages 64 - 67 of this report.

The Nation’s long-term debt at the end of fiscal year 2019 was approximately \$169.3 million, primarily related to the joint venture construction project for CNOHC located in Tahlequah, Oklahoma. The following is a summary of long-term debt at September 30, 2019 (dollars in thousands):

| | Governmental Activities | Business-type Activities | Total |
|------------------------|------------------------------------|-------------------------------------|-------------------|
| Notes payable | \$ 168,112 | \$ 869 | \$ 168,981 |
| Capital leases payable | - | 362 | 362 |
| Total long-term debt | <u>\$ 168,112</u> | <u>\$ 1,231</u> | <u>\$ 169,343</u> |

The Nation, as a tribal government, has the ability to incur debt, similar to a state or local government. In July 2002, the Nation entered into an agreement with JP Morgan Chase, which was previously Bank One, guaranteed by the United States Department of Housing and Urban Development. The purpose of the credit facility was to loan money to the HACN which, in turn, used the money in the building of affordable housing for Tribal citizens. This credit facility was paid off in February 2019.

The Nation entered into a 15-year note in 2010 to finance the construction of a new clinic in Vinita, Oklahoma. This note was paid off in September 2019.

The Nation entered into a construction loan for a new outpatient health facility in Tahlequah, Oklahoma during fiscal year 2016. Current year draw down of the loan was \$63.1 million.

Additional information on the Nation's long-term debt can be found in Note 8 on pages 67 - 71 of this report.

Economic Factors and Next Year's Budget

The Nation continues to provide vital services to the citizens. The outlook for 2020 revenue is projected to be flat for the General Fund. Budgeted expenditures and transfers for the Nation's General Fund for fiscal year 2020 total \$171.5 million, approximately \$14.9 million less than the final amounts budgeted for fiscal year 2019 due to the conservative budgeting and spending practices implemented.

The Nation's federally funded programs are expected to receive stable levels of funding in the fiscal year 2020 federal budget. In late 2019, the Nation began to open the newly constructed Cherokee Nation Outpatient Health Clinic. This Indian Health Service Joint Venture Project is the largest project ever undertaken by the IHS and a Tribe. It is expected that annual federal appropriations for this facility will be approximately \$100 million annually. During fiscal year 2019, the Nation received a partial year's funding to operate this facility.

Oklahoma is expected to continue to have steady economic certainty in gaming, despite the efforts by all tribes to expand their market share. The expansions by other tribes in the Tulsa market provide direct competition for the Nation's Catoosa casino operated by Cherokee Nation Entertainment, LLC (CNE); however, the overall effect has been mitigated to a large degree through strategic growth and marketing strategies. To address the competitive factors, CNB and CNE have begun an aggressive growth and development strategy for its flagship properties including branding the Catoosa facility as a Hard Rock Hotel and Casino. CNE also continues its innovative approach to offering the newest gaming options available and to improve loyalty within its existing customer base including targeted marketing and rewards programs.

Requests for Information

This financial report is designed to provide a general overview of the Nation's finances to its citizens, customers, creditors, and other interested parties. For additional information related to the Nation or its component units, please access the Cherokee Nation website at www.cherokee.org.

—TOGETHER—
COMMUNITY • FAMILY • CULTURE



Basic Financial Statements

— TOGETHER —
COMMUNITY • FAMILY • CULTURE



Government-wide Financial Statements

CHEROKEE NATION

STATEMENT OF NET POSITION

SEPTEMBER 30, 2019

(Dollars in Thousands)

| | Primary Government | | | Component Units |
|--|-------------------------|--------------------------|---------------------|---------------------|
| | Governmental Activities | Business-type Activities | Total | |
| Assets | | | | |
| Cash and cash equivalents | \$ 473,382 | \$ 5,962 | \$ 479,344 | \$ 247,903 |
| Investments | 24,266 | - | 24,266 | 5,149 |
| Accounts receivable, net | 29,271 | 313 | 29,584 | 139,992 |
| Internal Balances | 3,204 | (3,204) | - | - |
| Due from primary government | - | - | - | 3,035 |
| Due from component units | 4,161 | - | 4,161 | - |
| Inventories | 6,836 | - | 6,836 | 13,657 |
| Notes receivable | - | 2,703 | 2,703 | 530 |
| Other current assets | 11,188 | 2 | 11,190 | 19,993 |
| Restricted cash, cash equivalents and investments | 533 | 3,541 | 4,074 | 10,276 |
| Long-term notes receivable | 1,402 | 7,939 | 9,341 | 13,466 |
| Other assets | 63 | - | 63 | 788 |
| Investment in joint ventures/partnerships | - | - | - | 5,493 |
| Equity interests in component units | 930,632 | - | 930,632 | - |
| Capital assets, non depreciable | 176,269 | 236 | 176,505 | 96,242 |
| Capital assets, depreciable, net | 213,674 | 2,141 | 215,815 | 684,695 |
| Total assets | 1,874,881 | 19,633 | 1,894,514 | 1,241,219 |
| Deferred Outflows of Resources | | | | |
| Accumulated decrease in fair value of hedging derivative | 2,297 | - | 2,297 | - |
| Goodwill attributed to prior year business acquisitions | - | - | - | 23,420 |
| Total deferred outflows of resources | 2,297 | - | 2,297 | 23,420 |
| Liabilities | | | | |
| Accounts payable | 17,183 | - | 17,183 | 181,342 |
| Accrued liabilities | 51,795 | 29 | 51,824 | - |
| Due to primary government | - | - | - | 7,196 |
| Other current liabilities | 6,983 | 46 | 7,029 | - |
| Unearned revenue | 190,502 | - | 190,502 | 46 |
| Notes payable and long-term debt | | | | |
| Due within one year | 11,333 | 66 | 11,399 | 1,448 |
| Due in more than one year | 156,779 | 803 | 157,582 | 55,296 |
| Capital leases | | | | |
| Due within one year | - | 227 | 227 | 53 |
| Due in more than one year | - | 135 | 135 | 79 |
| Compensated absences | | | | |
| Due within one year | 8,828 | - | 8,828 | - |
| Derivative instrument - rate swap | 2,297 | - | 2,297 | - |
| Trust liabilities | - | - | - | 2,710 |
| Other noncurrent liabilities | - | 3,890 | 3,890 | - |
| Total liabilities | 445,700 | 5,196 | 450,896 | 248,170 |
| Net Position | | | | |
| Net investment in capital assets | 208,456 | 2,015 | 210,471 | 704,637 |
| Restricted for: | | | | |
| Education, Health, Roads and Safety (MFT) | 58,457 | - | 58,457 | - |
| Education, Roads and Safety (MVT) | 17,169 | - | 17,169 | - |
| Permanent Funds - expendable | 96 | - | 96 | - |
| Permanent Funds - nonexpendable | 425 | - | 425 | - |
| Construction | - | - | - | 1,173 |
| Equity interests in component units | 930,632 | - | 930,632 | - |
| Equity interest of minority entity, nonexpendable | - | - | - | 2,253 |
| Investment in partnership/joint ventures | - | - | - | 1,378 |
| Program services | 135,844 | - | 135,844 | 28,591 |
| Unrestricted | 80,399 | 12,422 | 92,821 | 278,437 |
| Total net position | \$ 1,431,478 | \$ 14,437 | \$ 1,445,915 | \$ 1,016,469 |

CHEROKEE NATION

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2019

(Dollars in Thousands)

| Functions/Programs | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Position | | | |
|---------------------------------------|------------------|-------------------------|--|--|--|-----------------------------|--------------|--------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | | Component Units |
| | | | | | Governmental Activities | Business-type Activities | Total | |
| Primary Government: | | | | | | | | |
| Governmental activities: | | | | | | | | |
| Tribal government | \$ 44,454 | \$ 5,591 | \$ 1,037 | \$ 4,424 | \$ (33,402) | \$ - | \$ (33,402) | \$ - |
| Health services | 339,118 | 156,610 | 248,509 | 21,861 | 87,862 | - | 87,862 | - |
| Education services | 71,235 | - | 34,377 | - | (36,858) | - | (36,858) | - |
| Human services | 59,403 | - | 47,610 | - | (11,793) | - | (11,793) | - |
| Community services | 89,261 | 16 | 59,631 | - | (29,614) | - | (29,614) | - |
| Interest on long-term debt | 4,794 | - | - | - | (4,794) | - | (4,794) | - |
| Increase in equity in component units | - | 48,758 | - | - | 48,758 | - | 48,758 | - |
| Total governmental activities | 608,265 | 210,975 | 391,164 | 26,285 | 20,159 | - | 20,159 | - |
| Business-type activities: | | | | | | | | |
| Tsa-La-Gi Apartments | 544 | 614 | - | - | - | 70 | 70 | - |
| Title VI Loan Fund | 2 | 3 | - | - | - | 1 | 1 | - |
| CN Sanitary Landfill | 2,398 | 878 | - | - | - | (1,520) | (1,520) | - |
| EDTA | 269 | 683 | - | - | - | 414 | 414 | - |
| Total business-type activities | 3,213 | 2,178 | - | - | - | (1,035) | (1,035) | - |
| Total primary government | \$ 611,478 | \$ 213,153 | \$ 391,164 | \$ 26,285 | 20,159 | (1,035) | 19,124 | - |
| Component Units | \$ 1,213,762 | \$ 1,232,572 | \$ 20,601 | \$ 717 | | | | 40,128 |
| General Revenues: | | | | | | | | |
| | | | | | 10,945 | - | 10,945 | - |
| | | | | | 16,766 | - | 16,766 | - |
| | | | | | 14,245 | - | 14,245 | - |
| | | | | | 4,639 | - | 4,639 | - |
| | | | | | 12,776 | - | 12,776 | - |
| | | | | | 7,433 | - | 7,433 | 6,699 |
| | | | | | 60,734 | - | 60,734 | - |
| | | | | | 7,934 | - | 7,934 | - |
| | | | | | - | - | - | (1,311) |
| Transfers | | | | | (1,840) | 1,840 | - | - |
| Total general revenues and transfers | | | | | 133,632 | 1,840 | 135,472 | 5,388 |
| Change in net position | | | | | 153,791 | 805 | 154,596 | 45,516 |
| Net position - beginning | | | | | 1,277,687 | 13,632 | 1,291,319 | 970,953 |
| Net position - ending | | | | | \$ 1,431,478 | \$ 14,437 | \$ 1,445,915 | \$ 1,016,469 |

— TOGETHER —
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Fund Financial Statements

CHEROKEE NATION

BALANCE SHEET - GOVERNMENTAL FUNDS

SEPTEMBER 30, 2019

(Dollars in Thousands)

| | General | PL 102-477 | Department of Transportation | Self Governance DHHS | Housing & Urban Development | Capital Projects Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|--|-------------------|------------------|------------------------------|----------------------|-----------------------------|-----------------------|-----------------------------|--------------------------|
| ASSETS | | | | | | | | |
| Cash and cash equivalents | \$ 133,346 | \$ 58,819 | \$ 77,301 | \$ 156,186 | \$ 28,915 | \$ - | \$ 18,662 | \$ 473,229 |
| Investments | - | - | - | - | - | - | 24,266 | 24,266 |
| Receivables, net | 4,751 | 31 | - | 15,097 | 40 | - | 8,097 | 28,016 |
| Due from other funds | 42,480 | - | - | - | 1,970 | 33,824 | 666 | 78,940 |
| Due from component units | 5,773 | - | - | - | - | - | - | 5,773 |
| Inventories | 7 | - | - | 5,241 | - | - | 1,355 | 6,603 |
| Other current assets | 1 | 10 | - | 8,596 | - | - | 854 | 9,461 |
| Restricted cash, cash equivalents and investments | 11 | - | - | - | - | - | 522 | 533 |
| Long-term notes receivable | - | - | - | - | 1,402 | - | - | 1,402 |
| Total assets | <u>\$ 186,369</u> | <u>\$ 58,860</u> | <u>\$ 77,301</u> | <u>\$ 185,120</u> | <u>\$ 32,327</u> | <u>\$ 33,824</u> | <u>\$ 54,422</u> | <u>\$ 628,223</u> |
| LIABILITIES | | | | | | | | |
| Accounts payable | \$ 17,183 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 17,183 |
| Accrued liabilities | 18,651 | - | - | 13,957 | - | 8,248 | 102 | 40,958 |
| Due to other funds | 14,022 | 15,918 | 1,573 | 48,688 | - | - | 9,905 | 90,106 |
| Due to component units | - | - | - | - | 2,778 | - | - | 2,778 |
| Other liabilities | 54 | - | - | (2) | 1 | - | (13) | 40 |
| Unearned revenue | 11 | 41,412 | 75,728 | 12,671 | 26,020 | 13,135 | 21,525 | 190,502 |
| Total liabilities | <u>49,921</u> | <u>57,330</u> | <u>77,301</u> | <u>75,314</u> | <u>28,799</u> | <u>21,383</u> | <u>31,519</u> | <u>341,567</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | | |
| Unavailable revenue - notes receivables | - | - | - | - | 1,402 | - | - | 1,402 |
| Total deferred inflows of resources | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,402</u> | <u>-</u> | <u>-</u> | <u>1,402</u> |
| FUND BALANCES | | | | | | | | |
| Nonspendable | 7 | - | - | 13,837 | - | - | 425 | 14,269 |
| Restricted | 75,626 | 1,530 | - | 95,969 | 2,126 | - | 22,478 | 197,729 |
| Committed | 14,228 | - | - | - | - | - | - | 14,228 |
| Assigned | 12,461 | - | - | - | - | 12,441 | - | 24,902 |
| Unassigned | 34,126 | - | - | - | - | - | - | 34,126 |
| Total fund balances | <u>136,448</u> | <u>1,530</u> | <u>-</u> | <u>109,806</u> | <u>2,126</u> | <u>12,441</u> | <u>22,903</u> | <u>285,254</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 186,369</u> | <u>\$ 58,860</u> | <u>\$ 77,301</u> | <u>\$ 185,120</u> | <u>\$ 32,327</u> | <u>\$ 33,824</u> | <u>\$ 54,422</u> | |

Amounts reported for governmental activities in the statement of net position are different because:

| | |
|---|---------------------|
| Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 364,611 |
| The equity interests in component units is not an available resource and, therefore, is not reported in the funds. | 930,632 |
| Assets recorded in government-wide financial statements that are not available to pay for current period expenditures, therefore, are unavailable and not recorded in the funds. | 1,402 |
| Derivative instruments: Rate swaps not reported in governmental funds | (2,297) |
| Deferred outflows of resources used to accumulate decreases in fair value of hedging derivative also not reported in governmental funds | 2,297 |
| Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position. | 17,691 |
| Liabilities that are not due and payable in the current period and, therefore, not reported in the funds. | (168,112) |
| Net position of governmental activities | <u>\$ 1,431,478</u> |

CHEROKEE NATION

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019
(Dollars in Thousands)**

| | General | PL 102-477 | Department of Transportation | Self Governance DHHS | Housing & Urban Development | Capital Projects Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---|-------------------|-----------------|------------------------------------|----------------------------|-----------------------------------|-----------------------------|-----------------------------------|--------------------------------|
| Revenues: | | | | | | | | |
| Intergovernmental | \$ - | \$ 28,171 | \$ 16,283 | \$ 231,198 | \$ 27,041 | \$ - | \$ 93,181 | \$ 395,874 |
| Property rentals | 747 | - | - | - | - | - | - | 747 |
| Motor fuel tax | 10,945 | - | - | - | - | - | - | 10,945 |
| Taxes, licenses and fees | 40,509 | - | - | - | - | - | - | 40,509 |
| Interest | 2,326 | 891 | 1,771 | 2,572 | 449 | - | 978 | 8,987 |
| Dividends from component units | 60,734 | - | - | - | - | - | - | 60,734 |
| Third party revenues | - | - | - | 155,751 | - | - | 1,278 | 157,029 |
| Other | 7,154 | 1,114 | - | 336 | 512 | 22,061 | 4,712 | 35,889 |
| Total revenues | <u>122,415</u> | <u>30,176</u> | <u>18,054</u> | <u>389,857</u> | <u>28,002</u> | <u>22,061</u> | <u>100,149</u> | <u>710,714</u> |
| Expenditures: | | | | | | | | |
| Current operating: | | | | | | | | |
| Tribal Government | 24,680 | - | - | 144 | - | 13,961 | 4,489 | 43,274 |
| Health Services | 7,534 | - | - | 299,259 | - | 10 | 25,056 | 331,859 |
| Education Services | 33,376 | 3,364 | - | - | - | - | 33,916 | 70,656 |
| Human Services | 5,668 | 26,213 | - | - | 55 | - | 27,061 | 58,997 |
| Community Services | 29,968 | - | 16,346 | 7,626 | 26,652 | - | 7,324 | 87,916 |
| Debt service: | | | | | | | | |
| Principal | - | - | - | 12,822 | - | - | - | 12,822 |
| Interest | - | - | - | 1,661 | - | 3,133 | - | 4,794 |
| Capital outlay | 616 | - | - | 2,525 | 590 | 70,118 | 1,468 | 75,317 |
| Total expenditures | <u>101,842</u> | <u>29,577</u> | <u>16,346</u> | <u>324,037</u> | <u>27,297</u> | <u>87,222</u> | <u>99,314</u> | <u>685,635</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>20,573</u> | <u>599</u> | <u>1,708</u> | <u>65,820</u> | <u>705</u> | <u>(65,161)</u> | <u>835</u> | <u>25,079</u> |
| Other financing sources (uses): | | | | | | | | |
| Issuance of long-term debt | - | - | - | - | - | 63,130 | - | 63,130 |
| Insurance recoveries | 17 | - | - | 11 | - | - | - | 28 |
| Transfers in | 5,718 | - | - | 641 | - | 16,621 | 3,139 | 26,119 |
| Transfers out | (5,064) | - | (1,708) | (18,621) | - | - | (1,375) | (26,768) |
| Total other financing sources (uses) | <u>671</u> | <u>-</u> | <u>(1,708)</u> | <u>(17,969)</u> | <u>-</u> | <u>79,751</u> | <u>1,764</u> | <u>62,509</u> |
| Net change in fund balances | 21,244 | 599 | - | 47,851 | 705 | 14,590 | 2,599 | 87,588 |
| Fund balances, October 1, 2018 | 115,204 | 931 | - | 61,955 | 1,421 | (2,149) | 20,304 | 197,666 |
| Fund balances, September 30, 2019 | <u>\$ 136,448</u> | <u>\$ 1,530</u> | <u>\$ -</u> | <u>\$ 109,806</u> | <u>\$ 2,126</u> | <u>\$ 12,441</u> | <u>\$ 22,903</u> | <u>\$ 285,254</u> |

CHEROKEE NATION

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED SEPTEMBER 30, 2019 (Dollars in Thousands)

Amounts reported for governmental activities in the statement of activities are different because:

| | |
|---|--------------------------|
| Net change in fund balances - total governmental funds | \$ 87,588 |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. | 63,100 |
| The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. | (50,308) |
| The increase in equity in component units, in the statement of activities, does not provide current financial resources and is not reported as revenues in the funds. | 48,758 |
| Some expenses are reported in the statement of activities when incurred and presented in the governmental funds when paid. | 2,040 |
| Contributions of capital assets recorded as revenue in the government-wide financial statements but not recorded at the governmental fund level. | 4,424 |
| The internal service funds are used to account for those activities which provide services to other functions within the government. The majority of the costs are allocated to the governmental funds in the government-wide financial statements. This amount is the net effect of the allocations. | <u>(1,811)</u> |
| Change in net position of governmental activities | <u><u>\$ 153,791</u></u> |

CHEROKEE NATION

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (GAAP BASIS) - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019
(Dollars in Thousands)**

| | <u>Budgeted Amounts</u> | | | <u>Variance with Final Budget</u> |
|---|-------------------------|------------------------|-------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Revenues: | | | | |
| Property rentals | \$ 777 | \$ 777 | \$ 747 | \$ (30) |
| Motor fuel tax | 7,949 | 7,949 | 10,945 | 2,996 |
| Taxes, licenses and fees | 33,196 | 38,996 | 40,509 | 1,513 |
| Interest | 101 | 101 | 2,326 | 2,225 |
| Dividends from component units | 50,690 | 50,690 | 60,734 | 10,044 |
| Other | 6,140 | 6,678 | 7,154 | 476 |
| Total revenues | <u>98,853</u> | <u>105,191</u> | <u>122,415</u> | <u>17,224</u> |
| Expenditures: | | | | |
| Tribal government | 40,609 | 53,399 | 24,680 | (28,719) |
| Health services | 8,177 | 8,233 | 7,534 | (699) |
| Education services | 35,324 | 37,651 | 33,376 | (4,275) |
| Human services | 5,863 | 6,145 | 5,668 | (477) |
| Community services | 43,361 | 49,039 | 29,968 | (19,071) |
| Capital outlay | 4,615 | 4,687 | 616 | (4,071) |
| Total expenditures | <u>137,949</u> | <u>159,154</u> | <u>101,842</u> | <u>(57,312)</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(39,096)</u> | <u>(53,963)</u> | <u>20,573</u> | <u>74,536</u> |
| Other financing sources (uses): | | | | |
| Insurance recoveries | - | - | 17 | 17 |
| Transfers in | 19,727 | 22,137 | 5,718 | (16,419) |
| Transfers out | (22,925) | (27,197) | (5,064) | 22,133 |
| Total other financing sources (uses) | <u>(3,198)</u> | <u>(5,060)</u> | <u>671</u> | <u>5,731</u> |
| Net change in fund balance | (42,294) | (59,023) | 21,244 | 80,267 |
| Fund balance, October 1, 2018 | 115,204 | 115,204 | 115,204 | - |
| Fund balance, September 30, 2019 | <u>\$72,910</u> | <u>\$56,181</u> | <u>\$136,448</u> | <u>\$ 80,267</u> |

CHEROKEE NATION

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

SEPTEMBER 30, 2019

(Dollars in Thousands)

| | <u>Business-type Activities- Enterprise Funds</u> | | <u>Governmental Activities- Internal Service Funds</u> |
|---|---|------------------|--|
| | <u>Nonmajor Enterprise Funds</u> | <u>Total</u> | |
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 5,962 | \$ 5,962 | \$ 153 |
| Accounts receivable, net | 313 | 313 | 1,255 |
| Due from other funds | - | - | 16,064 |
| Due from component units | - | - | 1,166 |
| Inventories | - | - | 233 |
| Notes receivable, current | 2,703 | 2,703 | - |
| Other current assets | 2 | 2 | 1,727 |
| Total current assets | <u>8,980</u> | <u>8,980</u> | <u>20,598</u> |
| Noncurrent assets: | | | |
| Restricted cash, cash equivalents and investments | 3,541 | 3,541 | - |
| Long-term notes receivable | 7,939 | 7,939 | - |
| Capital assets, net | 2,377 | 2,377 | 25,332 |
| Total noncurrent assets | <u>13,857</u> | <u>13,857</u> | <u>25,332</u> |
| Total assets | <u>22,837</u> | <u>22,837</u> | <u>45,930</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accrued liabilities | 29 | 29 | 10,837 |
| Current portion of long-term debt | 66 | 66 | - |
| Current portion of capital leases | 227 | 227 | - |
| Due to other funds | 71 | 71 | 1,694 |
| Compensated absences | - | - | 8,828 |
| Other current liabilities | 46 | 46 | 6,943 |
| Total current liabilities | <u>439</u> | <u>439</u> | <u>28,302</u> |
| Noncurrent liabilities: | | | |
| Long-term due to other funds | 3,133 | 3,133 | - |
| Long-term debt | 803 | 803 | - |
| Capital leases payable | 135 | 135 | - |
| Other liabilities | 3,827 | 3,827 | - |
| Total noncurrent liabilities | <u>7,898</u> | <u>7,898</u> | <u>-</u> |
| Total liabilities | <u>8,337</u> | <u>8,337</u> | <u>28,302</u> |
| NET POSITION | | | |
| Net investment in capital assets | 2,015 | 2,015 | 25,332 |
| Unrestricted (deficit) | 12,485 | 12,485 | (7,704) |
| Total net position | <u>\$ 14,500</u> | <u>14,500</u> | <u>\$ 17,628</u> |
| Adjustment to reflect the consolidation of Internal Service Funds activities related to Enterprise Funds | | <u>(63)</u> | |
| Net position of business-type activities | | <u>\$ 14,437</u> | |

CHEROKEE NATION

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2019
 (Dollars in Thousands)**

| | Business-type Activities- Enterprise Funds | | Governmental Activities- Internal Service Funds |
|---|---|----------------|--|
| | Nonmajor Enterprise Funds | Total | |
| Operating revenues: | | | |
| Property rentals | \$ 606 | \$ 606 | \$ 7 |
| Charges for services and goods | 784 | 784 | 138,459 |
| Interest income, loans | 540 | 540 | - |
| Other | 137 | 137 | 2,131 |
| Total operating revenues | <u>2,067</u> | <u>2,067</u> | <u>140,597</u> |
| Operating expenses: | | | |
| Salaries and wages | 719 | 719 | 117,988 |
| Other services and charges | 1,924 | 1,924 | 19,016 |
| Materials and supplies | 56 | 56 | 2,615 |
| Depreciation | 490 | 490 | 1,602 |
| Total operating expenses | <u>3,189</u> | <u>3,189</u> | <u>141,221</u> |
| Operating income (loss) | <u>(1,122)</u> | <u>(1,122)</u> | <u>(624)</u> |
| Nonoperating revenues (expenses): | | | |
| Interest income | 111 | 111 | - |
| Interest expense | (21) | (21) | - |
| Gain/(loss) on sale of capital assets | - | - | 1 |
| Net nonoperating revenues | <u>90</u> | <u>90</u> | <u>1</u> |
| Income (loss) before transfers | (1,032) | (1,032) | (623) |
| Transfers in | 1,847 | 1,847 | 9 |
| Transfers out | <u>(7)</u> | <u>(7)</u> | <u>(1,200)</u> |
| Change in net position | 808 | 808 | (1,814) |
| Total net position - beginning | <u>13,692</u> | | <u>19,442</u> |
| Total net position - ending | <u>\$ 14,500</u> | | <u>\$ 17,628</u> |
| Adjustment to reflect the consolidation of Internal Service Funds activities related to Enterprise Funds | | <u>(3)</u> | |
| Change in net position of business-type activities | | <u>\$ 805</u> | |

See notes to basic financial statements

CHEROKEE NATION

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019
(Dollars in Thousands)**

| | Business-type Activities- Enterprise Funds | | Governmental Activities- Internal Service Funds |
|--|---|-----------------|--|
| | Nonmajor Enterprise Funds | Total | |
| Cash flows from operating activities: | | | |
| Receipts from customers | \$ 1,431 | \$ 1,431 | \$ 139,294 |
| Payments to suppliers | (1,608) | (1,608) | (20,759) |
| Payments to employees | (719) | (719) | (117,453) |
| Internal activity - payments to other funds | 3,194 | 3,194 | 1,283 |
| Internal activity - payments from other funds | (936) | (936) | (436) |
| Internal activity - payments to component units | 1 | 1 | 90 |
| Internal activity - payments from component units | - | - | (927) |
| Interest received on loans | 540 | 540 | - |
| Other receipts | 137 | 137 | 508 |
| Net cash provided by operating activities | <u>2,040</u> | <u>2,040</u> | <u>1,600</u> |
| Cash flows from noncapital financing activities: | | | |
| Transfer from other funds | 1,847 | 1,847 | 9 |
| Transfer to other funds | (7) | (7) | (1,200) |
| Principal paid on notes payable | (530) | (530) | - |
| Interest paid on notes payable | (12) | (12) | - |
| Net cash provided by(used for) noncapital financing activities | <u>1,298</u> | <u>1,298</u> | <u>(1,191)</u> |
| Cash flows from capital and related financing activities: | | | |
| Purchases of capital assets | (1,636) | (1,636) | (477) |
| Principal paid on capital debt and leases | (222) | (222) | - |
| Interest paid on capital debt | (9) | (9) | - |
| Net cash (used for) capital and related financing activities | <u>(1,867)</u> | <u>(1,867)</u> | <u>(477)</u> |
| Cash flows from investing activities: | | | |
| Interest received | 111 | 111 | - |
| Increase in notes receivable, net | 141 | 141 | - |
| Net cash provided by investing activities | <u>252</u> | <u>252</u> | <u>-</u> |
| Net increase (decrease) in cash and cash equivalents | 1,723 | 1,723 | (68) |
| Cash and cash equivalents, October 1, 2018 | <u>7,780</u> | <u>7,780</u> | <u>221</u> |
| Cash and cash equivalents, September 30, 2019 | <u>\$ 9,503</u> | <u>\$ 9,503</u> | <u>\$ 153</u> |
| Cash and Cash Equivalents consist of: | | | |
| Unrestricted cash and cash equivalents | \$ 5,962 | \$ 5,962 | \$ 153 |
| Restricted cash, cash equivalents and investments | 3,541 | 3,541 | - |
| Total Cash and Cash Equivalents, September 30, 2019 | <u>\$ 9,503</u> | <u>\$ 9,503</u> | <u>\$ 153</u> |
| Reconciliation of operating income (loss) to net cash provided by operating activities: | | | |
| Operating income (loss) | \$ (1,122) | \$ (1,122) | \$ (624) |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | | | |
| Depreciation expense | 490 | 490 | 1,602 |
| Change in assets and liabilities: | | | |
| Receivables, net | 42 | 42 | 287 |
| Inventories | - | - | 19 |
| Other current assets | - | - | (934) |
| Accounts and other payables | 2,630 | 2,630 | 1,250 |
| Net cash provided by operating activities | <u>\$ 2,040</u> | <u>\$ 2,040</u> | <u>\$ 1,600</u> |

CHEROKEE NATION

COMBINING STATEMENT OF NET POSITION - COMPONENT UNITS
SEPTEMBER 30, 2019
(Dollars in Thousands)

| | Cherokee Nation Businesses, LLC (CNB) | Housing Authority of the Cherokee Nation (HACN) | Cherokee Nation Comprehensive Care Agency (CNCCA) | Cherokee Nation Home Health Services, Inc. (CNHHS) | Cherokee Health Partners LLC (CHP) | Cherokee Nation Foundation (CNF) | Cherokee National Historical Society, Inc. (CNHS) | Total |
|---|---|---|---|--|--|---|--|--------------|
| ASSETS | | | | | | | | |
| Current assets: | | | | | | | | |
| Cash and cash equivalents | \$ 237,064 | \$ 4,682 | \$ 2,188 | \$ 501 | \$ 2,755 | \$ 389 | \$ 324 | \$ 247,903 |
| Restricted cash | 7,444 | - | - | - | - | 122 | - | 7,566 |
| Investments | - | 3,303 | - | - | - | 929 | 917 | 5,149 |
| Receivables, net | 137,076 | 1,311 | 86 | 464 | 1,030 | 6 | 19 | 139,992 |
| Due from primary government | - | 3,035 | - | - | - | - | - | 3,035 |
| Inventories | 12,984 | - | - | - | 639 | - | 34 | 13,657 |
| Notes receivable | - | 530 | - | - | - | - | - | 530 |
| Other current assets | 16,583 | 3,234 | 32 | 17 | 127 | - | - | 19,993 |
| Total current assets | 411,151 | 16,095 | 2,306 | 982 | 4,551 | 1,446 | 1,294 | 437,825 |
| Noncurrent assets: | | | | | | | | |
| Restricted investments | - | 2,710 | - | - | - | - | - | 2,710 |
| Notes receivable | - | 13,466 | - | - | - | - | - | 13,466 |
| Other assets | - | 731 | - | - | 57 | - | - | 788 |
| Investment in partnerships/joint ventures | 3,721 | 1,378 | - | - | 394 | - | - | 5,493 |
| Capital assets, net | 672,606 | 102,818 | 2,347 | 493 | 1,541 | 7 | 1,125 | 780,937 |
| Total noncurrent assets | 676,327 | 121,103 | 2,347 | 493 | 1,992 | 7 | 1,125 | 803,394 |
| Total assets | 1,087,478 | 137,198 | 4,653 | 1,475 | 6,543 | 1,453 | 2,419 | 1,241,219 |
| Deferred Outflows of Resources: | | | | | | | | |
| Goodwill attributed to prior year business acquisitions | 21,893 | - | - | - | 1,527 | - | - | 23,420 |
| Total deferred outflows of resources | 21,893 | - | - | - | 1,527 | - | - | 23,420 |
| LIABILITIES | | | | | | | | |
| Current liabilities: | | | | | | | | |
| Accounts payable and accrued liabilities | 175,161 | 2,517 | 820 | 364 | 2,384 | 85 | 11 | 181,342 |
| Due to primary government | 6,149 | - | 1,047 | - | - | - | - | 7,196 |
| Unearned revenue | - | 46 | - | - | - | - | - | 46 |
| Current portion of notes payable | - | 1,117 | - | - | - | - | 5 | 1,122 |
| Current portion of long-term debt | - | - | - | 53 | 273 | - | - | 326 |
| Current portion of capital leases | - | - | - | 53 | - | - | - | 53 |
| Total current liabilities | 181,310 | 3,680 | 1,867 | 470 | 2,657 | 85 | 16 | 190,085 |
| Noncurrent liabilities: | | | | | | | | |
| Trust liabilities | - | 2,710 | - | - | - | - | - | 2,710 |
| Notes payable | - | 54,066 | - | - | - | - | - | 54,066 |
| Long-term debt | - | - | - | 370 | 792 | - | 68 | 1,230 |
| Long-term capital leases | - | - | - | 79 | - | - | - | 79 |
| Total noncurrent liabilities | - | 56,776 | - | 449 | 792 | - | 68 | 58,085 |
| Total liabilities | 181,310 | 60,456 | 1,867 | 919 | 3,449 | 85 | 84 | 248,170 |
| NET POSITION | | | | | | | | |
| Net investment in capital assets | 652,928 | 47,636 | 2,347 | 186 | 476 | 7 | 1,057 | 704,637 |
| Restricted, nonexpendable: | | | | | | | | |
| Equity interest of minority entity | - | - | - | - | 2,253 | - | - | 2,253 |
| Restricted, expendable for: | | | | | | | | |
| Construction | 1,173 | - | - | - | - | - | - | 1,173 |
| Investment in partnership/joint ventures | - | 1,378 | - | - | - | - | - | 1,378 |
| Program services | - | 27,728 | - | - | - | 511 | 352 | 28,591 |
| Unrestricted | 273,960 | - | 439 | 370 | 1,892 | 850 | 926 | 278,437 |
| Total net position | \$ 928,061 | \$ 76,742 | \$ 2,786 | \$ 556 | \$ 4,621 | \$ 1,368 | \$ 2,335 | \$ 1,016,469 |

CHEROKEE NATION

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -
COMPONENT UNITS
FOR THE YEAR ENDED SEPTEMBER 30, 2019
(Dollars in Thousands)**

| | Cherokee Nation Businesses, LLC (CNB) | Housing Authority of the Cherokee Nation (HACN) | Cherokee Nation Comprehensive Care Agency (CNCCA) | Cherokee Nation Home Health Services, Inc. (CNHHS) | Cherokee Health Partners, LLC (CHP) | Cherokee Nation Foundation (CNF) | Cherokee National Historical Society, Inc. (CNHS) | Total |
|---|--|--|--|---|--|---|--|--------------|
| Operating revenues: | | | | | | | | |
| Charges for services and goods | \$ 1,184,574 | \$ 7,059 | \$ 14,347 | \$ 6,035 | \$ 16,694 | \$ - | \$ - | \$ 1,228,709 |
| Income (loss) from investments in joint ventures | (1,311) | - | - | - | - | - | - | (1,311) |
| Other | - | 1,351 | - | 74 | 24 | 1,105 | 1,309 | 3,863 |
| Total operating revenues | 1,183,263 | 8,410 | 14,347 | 6,109 | 16,718 | 1,105 | 1,309 | 1,231,261 |
| Operating expenses: | | | | | | | | |
| Cost of sales/operations | 536,551 | 11,652 | - | - | - | - | - | 548,203 |
| Salaries and wages | 270,813 | 13,420 | 4,371 | 3,381 | - | 282 | 788 | 293,055 |
| Other services and charges | 180,180 | 176 | 9,926 | 2,140 | 14,943 | 647 | 606 | 208,618 |
| Depreciation and amortization | 54,612 | 6,241 | 195 | 79 | 269 | 1 | 47 | 61,444 |
| Total operating expenses | 1,042,156 | 31,489 | 14,492 | 5,600 | 15,212 | 930 | 1,441 | 1,111,320 |
| Operating income (loss) | 141,107 | (23,079) | (145) | 509 | 1,506 | 175 | (132) | 119,941 |
| Nonoperating revenues (expenses): | | | | | | | | |
| Grant revenue | - | 20,601 | - | - | - | - | - | 20,601 |
| Interest/investment income | 3,857 | 868 | 11 | 1 | - | - | 16 | 4,753 |
| Interest expense | (457) | (2,477) | - | (29) | (25) | - | - | (2,988) |
| Gain from insurance proceeds, net of asset impairment | 1,946 | - | - | - | - | - | - | 1,946 |
| Other, net | 664 | 104 | - | - | 246 | - | - | 1,014 |
| Net nonoperating revenues (expenses) | 6,010 | 19,096 | 11 | (28) | 221 | - | 16 | 25,326 |
| Net Income (loss) before dividends and capital grants | 147,117 | (3,983) | (134) | 481 | 1,727 | 175 | (116) | 145,267 |
| Dividends to primary government | (60,734) | - | - | - | - | - | - | (60,734) |
| Distributions | - | - | - | - | (1,524) | - | - | (1,524) |
| Capital grants from other sources | - | 717 | - | - | - | - | - | 717 |
| Capital grants to Cherokee Nation and others | (38,210) | - | - | - | - | - | - | (38,210) |
| Change in net position | 48,173 | (3,266) | (134) | 481 | 203 | 175 | (116) | 45,516 |
| Net position, beginning of year | 879,888 | 80,008 | 2,920 | 75 | 4,418 | 1,193 | 2,451 | 970,953 |
| Net position, end of year | \$ 928,061 | \$ 76,742 | \$ 2,786 | \$ 556 | \$ 4,621 | \$ 1,368 | \$ 2,335 | \$ 1,016,469 |

CHEROKEE NATION

**RECAST OF THE COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -
COMPONENT UNITS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019
(Dollars in Thousands)**

| | Discretely Presented Component Units | Government-wide - Statement of Activities | | | | |
|---|---|---|----------------------------|--|--|---------------------|
| | | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | General Revenues |
| Operating revenues: | | | | | | |
| Charges for services and goods | \$ 1,228,709 | \$ - | \$ 1,228,709 | \$ - | \$ - | \$ - |
| Income (loss) from investments in joint ventures | (1,311) | - | - | - | - | (1,311) |
| Other | 3,863 | - | 3,863 | - | - | - |
| Total operating revenues | 1,231,261 | - | 1,232,572 | - | - | (1,311) |
| Operating expenses: | | | | | | |
| Cost of sales/operations | 548,203 | 548,203 | - | - | - | - |
| Salaries and wages | 293,055 | 293,055 | - | - | - | - |
| Other services and charges | 208,618 | 208,618 | - | - | - | - |
| Depreciation and amortization | 61,444 | 61,444 | - | - | - | - |
| Total operating expenses | 1,111,320 | 1,111,320 | - | - | - | - |
| Operating income (loss) | 119,941 | (1,111,320) | 1,232,572 | - | - | (1,311) |
| Nonoperating revenues (expenses): | | | | | | |
| Grant revenue | 20,601 | - | - | 20,601 | - | - |
| Interest/investment income | 4,753 | - | - | - | - | 4,753 |
| Interest expense | (2,988) | (2,988) | - | - | - | - |
| Gain from insurance proceeds, net of asset impairment | 1,946 | - | - | - | - | 1,946 |
| Other, net | 1,014 | 1,014 | - | - | - | - |
| Net nonoperating revenues (expenses) | 25,326 | (1,974) | - | 20,601 | - | 6,699 |
| Net Income (loss) before dividends and capital grants | 145,267 | (1,113,294) | 1,232,572 | 20,601 | - | 5,388 |
| Dividends to primary government | (60,734) | (60,734) | - | - | - | - |
| Distributions | (1,524) | (1,524) | - | - | - | - |
| Capital grants from other sources | 717 | - | - | - | 717 | - |
| Capital grants to Cherokee Nation and others | (38,210) | (38,210) | - | - | - | - |
| Change in net position | 45,516 | (1,213,762) | 1,232,572 | 20,601 | 717 | 5,388 |
| Net position, beginning of year | 970,953 | - | - | - | - | 970,953 |
| Net position, end of year | \$ 1,016,469 | \$ (1,213,762) | \$ 1,232,572 | \$ 20,601 | \$ 717 | \$ 976,341 |

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Notes to Basic Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Information and Basis of Presentation

The basic financial statements of the Cherokee Nation (the Nation) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

The Nation is a sovereign tribal government with Executive, Legislative, and Judicial Branches. The basic financial statements of the Nation present the reporting entity, which consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the Nation's basic financial statements to be misleading or incomplete. Accordingly, the accompanying basic financial statements reflect the financial position and the operations of the Nation for all amounts received, disbursed, or in the custody of the Nation or the United States Department of Interior (DOI) and the United States Treasury, as its trustee, as well as all other funds and activities over which the Nation exercises financial accountability. The Nation's basic financial statements do not include the financial position or activities of various federal and state governmental agencies operating within tribal lands. The Nation determines its financial reporting entity in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14 *The Financial Reporting Entity*, GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units - an amendment of GASB Statement No. 14*, GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*, GASB Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*, and GASB Statement No. 90, *Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61*, as applicable, and, based on that criterion, has included the following entities as component units within the Nation's basic financial statements.

Discretely Presented Component Units

The component units' column in the government-wide financial statements includes the financial data of the Nation's discretely presented component units. These discretely presented component units are reported in a separate column to emphasize that they are legally separate from the primary government. Part of the determination for presenting them as discretely presented component units is that the Principal Chief, upon Legislative approval, has the ability to appoint and remove members of the component units governing boards at will. In addition, the component units do not provide services entirely or almost entirely to the primary government or for the benefit of the primary government. The following component units are included in the reporting entity because the primary government is financially accountable for and is able to impose its will on these organizations.

Cherokee Nation Businesses, LLC (CNB) — CNB, a tribal limited liability company, was created June 16, 2004, to provide shared services and strategic coordination of business investments for the Nation and to act as a holding corporation for certain Nation investments in business enterprises. The Nation created CNB and is able to exert significant influence over CNB's activities as a result of its relationship to CNB and board member appointments. CNB and the companies it owns are managed through a board of directors appointed by the Principal Chief of the Nation and confirmed by the Cherokee Nation Tribal Council. Based on the foregoing criteria and in compliance with the provisions of GASB No. 61, CNB is included in the Nation's financial report as a discretely presented component unit. As of September 30, 2019, CNB reported the following blended component units:

Cherokee Nation Entertainment, LLC (CNE) — CNE is a tribal limited liability company organized under the laws of the Nation. The Nation conducts all of its gaming and entertainment activities through CNE. For reporting purposes, CNE is included as a blended component unit of CNB which is a

discretely presented component unit of the Nation. At September 30, 2019, CNE operates nine casinos, a horse racing facility with electronic gaming machines, two retail smoke shop facilities that include electronic gaming machines and other retail facilities including an additional smoke shop, a travel plaza that includes electronic games, a convenience store and a gift shop. CNE's gaming and entertainment operations include food and beverage venues, hotels, live entertainment venues, two 18-hole and one 9-hole golf courses. CNE is headquartered in Catoosa, Oklahoma.

CNE has three of its own blended component units. CNE is the sole member owning 100% of the component units. The Chief Executive Officer of CNE is the designated manager of the component units. Based on the foregoing criteria and in compliance with the provisions of GASB No. 61, the component units are included as blended component units in CNE's financial statements. Details of the blended component units are as follows:

Will Rogers Downs, LLC (WRD) — WRD is a tribal limited liability company in Claremore, Oklahoma organized under the laws of the Nation created to own and operate a horse racing and gaming facility and ancillary activities on nontribal lands in Claremore, Oklahoma. WRD is a 236-acre racing complex, which includes 250 electronic games, simulcast horse racing, restaurants, a dance floor and a live entertainment stage. The racetrack is one-mile long and the training track is one-half mile long. The complex houses 600 livestock stalls, a covered, open-air grandstand with seating capacity for 2,700 individuals, a 60,000 square foot grandstand building, a 32,000 square foot exposition building and indoor and outdoor arenas. WRD holds a fall and spring race meet each year consisting of approximately 60 days of live racing. WRD is party to a license agreement with Kampgrounds of America (KOA) to utilize the KOA brand at its RV Park.

Cherry Springs Golf Club, Inc (CSGC) — CSGC is an Oklahoma corporation that owns and operates one 18-hole golf course in Tahlequah, Oklahoma.

Will Rogers Downs Disseminating, LLC (WRDD) — WRDD is a limited liability company organized under the laws of the Nation created for the purpose of disseminating simulcast signals associated with horse racing and off-track betting.

Other CNB blended component units by business sector include:

Technology Sector

- Cherokee Nation Security & Defense, LLC (CNSD) is a tribal limited liability company created in 2009 that provides security and safety services to government and commercial clients. CNSD is headquartered in Tulsa.
- Cherokee Nation Strategic Programs, LLC (CNSP) is an Oklahoma limited liability company, was formed in 2014 to provide research and development, test and evaluation, information technology services, unmanned aircraft services and training and exercise management to government agencies. CNSP is headquartered in Tulsa.
- Cherokee Nation Defense Solutions, LLC (CNDS) is a tribal limited liability company created in 2008 that provides state-of-the-art critical site infrastructure protection and cybersecurity surveillance services to both government and commercial clients. CNDS is headquartered in Tulsa.
- Cherokee Services Group, LLC (CSG) is a tribal limited liability company established in 2005 that provides professional staffing and other professional services to the federal government and, to a lesser extent, commercial customers. CSG has received 8(a) certification from the

U.S. Small Business Administration. Headquartered in Tulsa, Oklahoma, CSG has a regional office in Fort Collins, Colorado and 22 additional offices nationwide.

- Cherokee Nation Technologies, LLC (CNT) is a tribal limited liability company that provides professional staffing and other professional services to the federal government and, to a lesser extent, commercial customers since 2009. The company is headquartered in Tulsa, Oklahoma, with a regional office in Fort Collins, Colorado and client locations nationwide.
- Cherokee Nation System Solutions, LLC (CNSS) is a tribal limited liability company formed in 2016 that provides professional staffing and other professional services to the federal government and commercial customers. CNSS is headquartered in Tulsa.

Consulting Sector

- Cherokee Nation Government Solutions, LLC (CNGS) is a tribal limited liability company that provides professional/technical services and project support to government and commercial clients since 2011. With over 400 employees, CNGS locates specific candidates for rapid response requests in areas including science, engineering, construction, information technology, research and development, facilities management, program management and mission support. CNGS is headquartered in Tulsa.
- Cherokee Nation Technology Solutions, LLC (CNTS) is a tribal limited liability company headquartered in Tulsa that provides professional/technical services and project support to government and commercial clients. CNTS specializes in locating hard to find candidates for rapid response requests throughout the country. It provides a tailored management approach for complex government programs and disciplines including information technology, science, engineering, construction, research and development, facilities management, program management and mission support.
- Cherokee Nation Management & Consulting, LLC (CNM&C) is a tribal limited liability company formed in 2013 and headquartered in Tulsa that provides program and project management solutions for government clients. CNM&C has expertise in a wide-range of technical disciplines including engineering, environmental, information and asset management, along with a variety of physical and life sciences.
- Cherokee Nation Mission Solutions, LLC (CNMS) is an Oklahoma limited liability company that provides program management, facilities management, mission support and medical services primarily for government clients since its formation in 2013. CNMS delivers management and support for a variety of programs and projects ranging from medical studies, analysis, research, wellness, telemedicine and clinical operations. CNMS promptly provides cost effective staffing of clinical, administrative, technical, and scientific professionals. CNMS is headquartered in Tulsa.
- Cherokee Nation Support, Service, and Solutions, LLC (CN3S) is a tribal limited liability company that provides staffing services in the education industry as well as logistics and distribution for the aviation industry since 2012. CN3S is headquartered in Tulsa, Oklahoma.
- Cherokee Nation Federal Consulting, LLC (CNFC) was organized on January 1, 2018, as a tribal limited liability company to provide professional services and program management solutions to government clients. CNFC is headquartered in Tulsa, Oklahoma.

- Cherokee Nation Solutions Link, LLC (CNSL) was organized April 16, 2018, as a tribal limited liability company to provide consulting services to a broad list of government and commercial clients. CNSL is headquartered in Tulsa, Oklahoma.

Health Sciences Sector

- Cherokee Nation Assurance, LLC (CNA) is a tribal limited liability company that provides technology solutions specializing in delivering information technology, management consulting, program support and professional support services created in 2011. CNA's full scope of computer and technology related services include enterprise architecture, application development, database administration, systems administration, networking, security compliance, configuration management, infrastructure services, video surveillance, and access control and professional IT services. CNA is headquartered in Tulsa.
- Cherokee Medical Services, LLC (CMS) is an Oklahoma limited liability company headquartered in Tulsa that provides employee staffing for the medical industry.
- Cherokee Nation Healthcare Services, LLC (CNHS, LLC) is a tribal limited liability company that provides employee staffing for the medical industry. CNHS, LLC is headquartered in Tulsa.
- Cherokee Nation Diagnostic Innovations, LLC (CNDI) is a tribal limited liability company formed in 2015 to provide innovative medical device and related technology solutions to commercial healthcare providers. CNDI is headquartered in Tulsa.
- Cherokee Nation Integrated Health, LLC (CNIH) is a tribal limited liability company that provides healthcare consulting, technology, analytics, medical readiness and a full spectrum of mission critical support to government clients. CNIH is headquartered in Tulsa, Oklahoma.
- Cherokee Nation Operational Solutions, LLC (CNOS) is a tribal limited liability company that provides health IT, healthcare staffing, military medicine management and electronic health record (HER) consulting. Additionally, it distributes office products and supplies on behalf of Staples. CNOS moved from the Logistics and Distribution Sector to the Health Sciences Sector in 2019. CNOS is based in Pryor, Oklahoma.

Environmental and Construction Sector

- Cherokee Nation Construction Services, LLC (CNCS) is a tribal limited liability company formed in 2008 that provides construction-related services, including general contracting, oversight of construction projects and safety training. CNCS has offices in Tulsa, Oklahoma and Dover, Delaware.
- Cherokee Nation Environmental Solutions, LLC (CNES) is a tribal limited liability company that provides environmental services for both commercial and government clients formed in 2013. CNES is based in Tulsa, Oklahoma.
- Cherokee Nation Mechanical, LLC (CNM) is tribal limited liability company formed in 2016 to provide construction management and HVAC services primarily to commercial customers. CNM is based in Tulsa.
- Cherokee Nation Facilities Management, LLC (CNFM) is a tribal limited liability company headquartered in Tulsa that provides facilities management services to government and commercial clients and commercial customers was formed in 2013.

- Cherokee Nation Development Group, LLC (CNDG) is a tribal limited liability company that was formed in 2017 to provide construction management services to government clients. CNDG is headquartered in Catoosa, Oklahoma.
- Cherokee CRC, LLC (CCRC) is an Oklahoma limited liability company that provides construction-related activities, including general contracting and construction management. CCRC was formed in 2005 and is based in Tulsa, Oklahoma.

Engineering and Manufacturing Sector

- CND, LLC (CND) is an Oklahoma limited liability company formed in 2004 that provides production, distribution and assembly of electronic component parts and wiring systems primarily for commercial customers. CND is based in Stilwell, Oklahoma.
- Cherokee Nation Red Wing, LLC (CNRW) is a tribal limited liability company that provides kitting, manufacturing and program management for various cable, wire, panel, box, avionics and engine assemblies primarily for commercial customers. CNRW was acquired in February 2009 and reorganized as a limited liability company. CNRW operates out of 15,000+ square feet of expandable manufacturing space on seven acres in Pryor, Oklahoma as well as a presence in Tulsa.
- Cherokee Nation Armored Solutions, LLC (CNAS) is a tribal limited liability company that provides technical support services for the development, advancement, application and improvement of technology, processes and systems lifecycle support. CNAS operates out of 20,000+ square feet of expandable machining space on seven acres in Pryor, Oklahoma.
- Cherokee Nation Aerospace & Defense, LLC (CNAD) is a tribal limited liability company based in Stilwell, Oklahoma that manufactures and integrates electromechanical assemblies primarily for commercial customers since its formation in 2008.

Logistics and Distribution Sector

- Cherokee Nation Industries, LLC (CNI) is a tribal limited liability company that is a value-added reseller providing end-to-end distribution services and warehousing for some of the world's largest businesses in the telecommunications and electronics industry. CNI was established in 1969 to meet the need for business development and to generate revenue which helps the Nation and its members move toward economic self-sufficiency. CNI is headquartered in Stilwell, Oklahoma.

Other CNB Companies

- Cherokee Nation Property Management, LLC (CNPM) is a tribal limited liability company that conducts real estate acquisitions and development for CNB. CNPM was formed in 2010 and is headquartered in Catoosa, Oklahoma.
- Cherokee Nation Construction Resources, LLC (CNCR) is a tribal limited liability company that constructs healthcare facilities for the Nation as well as single-family homes. CNCR is headquartered in Tulsa, Oklahoma and was formed in 2013.
- Cherokee Nation Hospitality Consulting, LLC (CNHC) is a tribal limited liability company formed in 2015 that provides gaming and hospitality as well as casino management services. CNHS is headquartered in Catoosa, Oklahoma.

- Cherokee Nation Blue Ribbon Downs Training, LLC (BRDT) is a tribal limited liability company formed in 2015 to provide management of a horse racing training facility in Sallisaw, Oklahoma.
- CNB, through its affiliates, Cherokee Nation Management Corporation (CNMC), an Oklahoma corporation, and CNB Economic Development Company, LLC (EDC), an Oklahoma limited liability company, participates in the New Market Tax Credit (NMTC) Program established by Congress in 2000 to spur new or increased investments into operating businesses and real estate projects located in low-income communities. Under the NMTC Program, CNB was allocated the authority to issue \$60,000,000 of qualified equity investments (QEI), which are funded through investments and loans from third parties. Third parties providing equity investments for the QEIs receive the right to claim, over a period of seven years, NMTCs equivalent to a total of 39% of the total QEI (including loaned funds). As of September 30, 2019, \$60,000,000 of the allocation had been sub-allocated to eligible projects and activity continues on several projects within these companies.
- CNB also holds an investment interest in Aerospace Products S.E., Inc. (APSE), as follows:
 - APSE was formed in 1987 in Huntsville, Alabama and is a distributor of aerospace fasteners and a provider of supply chain services. CNB owns 75% of the stock of APSE and accounts for its investment in APSE using the equity method of accounting. APSE is headquartered in Huntsville and has offices in San Antonio, Texas and Wichita, Kansas. During the year ended September 30, 2019, CNB recognized earnings (losses) from APSE totaling \$1,208,000 and received no distributions. CNB's investment in APSE at September 30, 2019 was \$3,716,000.

CNB, CNE, WRD, CNMS, CNSP, and APSE all issue separate stand-alone financial statements.

Housing Authority of the Cherokee Nation of Oklahoma (HACN) — HACN was created under the provisions of the laws of the State of Oklahoma and provides affordable housing and other services to low income Native Americans within the boundaries of the Nation. The Commissioners of the Housing Authority are nominated by the Principal Chief and confirmed by the Tribal Council of the Cherokee Nation. Based on the foregoing criteria and in compliance with the provisions of GASB No. 61, HACN is included in the Nation's financial report as a discretely presented component unit. Separately issued financial statements for HACN may be obtained from HACN's corporate office. HACN has the following component unit:

Cherokee Affordable Housing, Inc. (CAH) — CAH is a non-profit 501(c)3 corporation organized under the laws of the State of Oklahoma created primarily to serve as the eligible 501(c)3 entity required to fill the position of general partner in the low income housing tax credit partnerships and related projects that have been developed by the HACN and a third party developer. The projects comprise 155 housing units and are managed by outside parties under management agreements as provided by the partnership agreements. CAH's financial activity is limited only to its role in the tax credit partnerships. The board of directors for CAH consists of the same board members of HACN. The president for CAH is the executive director of HACN. Based on the foregoing criteria and in compliance with the provisions of GASB No. 61, CAH is included as a blended component unit in the HACN's financial statements.

Cherokee Nation Comprehensive Care Agency (CNCCA) — CNCCA, a tribal governmental agency, was created to facilitate various Nation healthcare initiatives including the facilitation of joint ventures and other business related health activities. CNCCA is managed through a board of directors appointed by the Principal Chief and confirmed by the Tribal Council. Based on the foregoing criteria and in compliance with the provisions of GASB No. 61, CNCCA is included in the Nation's financial report as a discretely

presented component unit. Separately issued financial statements for CNCCA may be obtained from CNCCA's office. CNCCA currently has one initiative, which is the Program of All-Inclusive Care for the Elderly (PACE).

Program of All-Inclusive Care for the Elderly (PACE) — PACE features a comprehensive medical and social service delivery system using an interdisciplinary team approach in an adult day care center that is supplemented by in-home and referral services in accordance with participants' needs. The program is administered by CNCCA dba Cherokee Elder Care (CEC) within the reservation. The PACE program is financed primarily by Medicare and Medicaid.

Cherokee Nation Home Health Services, Inc. (CNHHS) — CNHHS, a tribal corporation, was organized for the purpose of engaging in home healthcare services. CNHHS is a discretely presented component unit of the Nation. Board members of CNHHS are appointed by the Nation's Principal Chief and approved by the Nation's Tribal Council. Based on the foregoing criteria and in compliance with the provisions of GASB No. 61, CNHHS is included in the Nation's financial report as a discretely presented component unit. The CNHHS primarily earns revenues by providing home health, hospice and other services to residents of Adair, Cherokee, Delaware, Mayes, Muskogee, Sequoyah and Wagoner counties, Oklahoma, and the surrounding area. Separately issued financial statements for CNHHS may be obtained from CNHHS's corporate office.

Cherokee Health Partners, LLC (CHP) — CNCCA and the Tahlequah Hospital Authority (THA), an unrelated entity, entered into an agreement on September 28, 2004, to create CHP which was 51% owned by CNCCA. CHP provides cardiac and other imaging services to residents of Tahlequah, Oklahoma and the surrounding area and is located in the Northeastern Health System. On May 12, 2014, CNCCA transferred their ownership to the Nation. The Managers selected by the Class Member A, the Nation, are appointed by the Principal Chief and confirmed by the Tribal Council. Based on the foregoing criteria and in compliance with the provisions of GASB No. 61, CHP is included in the Nation's financial report as a discretely presented component unit. During 2015, CHP purchased a 95% ownership in the Northeast Oklahoma Heart Center, LLC (NOHC). NOHC is a limited liability company organized under the Oklahoma Limited Liability Act in July 2005. NOHC provides cardiovascular management services to the THA. As a result of the ownership interest acquired, the operations of NOHC have been included in the accompanying financial statements. All information included in the Nation's financial statements for CHP is as of and for the fiscal period ended June 30, 2018. Separately issued financial statements for CHP may be obtained from CHP's office. CHP directly holds a joint venture interest in Northeastern Oklahoma Diagnostics, LLC as described below:

Northeastern Oklahoma Diagnostics, LLC (NOD) — NOD, formerly Tahlequah Diagnostic Imaging, LLC, was established in December 2002, to provide MRI, CT, hyperbarics and other imaging equipment previously provided by the THA. In its general appeal to capture all the business formerly provided by the THA, NOD solicits to serve everyone in the community. CHP has a 20% ownership in NOD. CHP used the equity method to account for the joint venture investment in NOD. CHP has recognized its proportionate share of NOD's distribution of approximately \$152,000 for the joint venture at June 30, 2019. CHPS's investment in NOD at June 30, 2019 was \$394,000.

Cherokee Nation Foundation (CNF) — CNF, formerly doing business as Cherokee Nation Education Corporation was incorporated in 1998, as a nonprofit corporation under Title 18 of the Cherokee Nation Code Annotated and has been granted tax-exempt status under Section 501(c)3 of the Internal Revenue Code. CNF is organized exclusively for charitable and educational purposes to encourage and promote educational opportunities to enrolled adult and minor citizens of the Nation and any other federally recognized tribe, to promote and preserve the Cherokee language, culture and history of the Cherokee people, and to make distributions to corporations and individuals or on behalf of community groups. The

board of directors and the Executive Director conducts a search for board members who have experience reflective of the mission of the organization. Once the board has approved a potential candidate to the board of directors, the nomination is submitted to the Principal Chief and then Tribal Council for approval. Based on the foregoing criteria and in compliance with the provisions of GASB No. 61, CNF is included in the Nation's financial report as a discretely presented component unit. All information included in the Nation's financial statements for CNF is as of and for the fiscal period ended December 31, 2018. Separately issued financial statements for CNF may be obtained from CNF's corporate office.

Cherokee National Historical Society, Inc (CNHS) — CNHS is an educational, cultural and charitable membership nonprofit organization originally incorporated under the laws of the State of Oklahoma in 1963 and is recognized as a 501(c)3 nonprofit organization by the Internal Revenue Service (IRS). The mission of CNHS is to preserve, promote and teach Cherokee history and culture. CNHS operates a museum displaying Native American artifacts and other historical and cultural exhibits, and a historically recreated Cherokee Village. The Tsa-La-Gi complex and the principal offices are located in Park Hill, Oklahoma. CNHS is governed by a Board of Trustees comprised of not less than twelve (12) or more than thirty (30) voting members. The Committee on Board Management is responsible for the comprehensive and objective research for potential Board members and will recommend for nomination those candidates when there are openings on the Board. Nominations are subject to approval of voting members of the Board of Trustees at any regular or special meeting of the governing board. Based on the foregoing criteria and in compliance with the provisions of GASB No. 61, CNHS is included in the Nation's financial report as a discretely presented component unit. All information included in the Nation's financial statements for CNHS is as of and for the fiscal period ended December 31, 2018. Separately issued financial statements for CNHS may be obtained from CNHS's corporate office.

Beginning in fiscal year 2006, the Nation, CNE and CNHS entered into an operations management Memorandum of Agreement (MOA). This MOA is renewable on an annual basis upon agreement by the CNHS Board and the Nation. This event is discussed more fully in Note 17.

The financial statements for the discretely presented proprietary component units are presented as part of the accompanying basic financial statements. Selected disclosures for the discretely presented component units have been included in these notes to the basic financial statements.

Blended Component Units

The Nation has one component unit whose operations are blended with the financial data of the primary government. There is no distinction between the data of the primary government and that of the component unit. The Nation's blended component unit is as follows:

Cherokee Nation Economic Development Trust Authority — The Economic Development Trust Authority (EDTA) is a Community Development Financial Institution, as certified by the U.S. Treasury Department. Cherokee Nation EDTA was created by Tribal Council Legislative Act 36-89 as a mechanism to promote economic development. Its mission is to provide opportunities for income generation through economic development, to provide loans for business creation/expansion, and to provide loans to qualified individuals whom have traditionally been denied through conventional lending sources. EDTA is a governmental organization created as a separate body whose Board of Directors is appointed by the Principal Chief and confirmed by the Tribal Council even though EDTA's governing board is not the same as the Tribal Council. The Nation has the ability to appoint, hire, reassign or dismiss the individuals responsible for management of the programs. EDTA almost exclusively benefits the Nation as its largest activity is the operation of an employee loan program for employees of the Nation and its component units. EDTA is presented as a proprietary fund in the accompanying financial statements.

Cherokee Nation law requires that all corporations, majority owned by the Nation, and incorporated under Cherokee Nation law pay a dividend based on net income. The dividend rate was 37% for fiscal year 2019. CNB's minimum dividend requirement is determined at the combined CNB reporting level which has been implemented as the higher of CNB's or any of CNB's Component Units' Net Income. Dividends paid to the Nation and other related party transactions are discussed further in Note 17.

Government-wide Financial Statements

The government-wide financial statements provide operational accountability information for the Nation as an economic unit. The government-wide financial statements report the government's ability to maintain service levels and continue to meet its obligations as they come due. The statements include all governmental activities and all business-type activities of the primary government and its component units. Fiduciary funds and fiduciary-type component units are omitted from the government-wide financial statements. The Nation currently has no fiduciary funds.

Fund Financial Statements

The accounts of the Nation are organized on the basis of funds, each of which is considered to be an independent fiscal and accounting entity. The operations of each fund are accounted for within separate sets of self-balancing accounts, which comprise its assets, liabilities, fund balance/net position, revenues, expenditures/expenses, and transfers. The General Fund is always a major governmental fund. Other individual governmental and enterprise major funds are determined as funds whose revenues, expenditures/expenses, assets and deferred outflows of resources or liabilities and deferred inflows of resources are at least ten percent of the corresponding totals for all funds of that category or type (total governmental or total enterprise funds) and at least five percent of the corresponding total for all governmental and enterprise funds combined or funds designated as major at the discretion of the Nation. Funds not classified as a major fund are aggregated and presented in a single column in the fund financial statements. The Nation uses the following funds, grouped by fund type.

Governmental Funds

Governmental funds are those through which most governmental functions of the Nation are financed. The acquisition, use and balances of the Nation's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds.

General Fund

The General Fund represents the operating activities of the tribal government. All financial resources not accounted for in other funds are reported in the General Fund.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of government grants or other specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects of the Nation. The following are the Nation's major Special Revenue Funds:

Public Law 102-477 (PL 102-477) was enacted to facilitate the ability of Indian tribes to integrate the employment, training and related services from federal sources in order to improve the effectiveness of those services and reduce unemployment. Funding for this program comes from the Department of the Interior, the Department of Labor, the Department of Education and the Department of Health and Human Services. The law, as amended in 2017, authorizes Tribal governments to consolidate programs from 12 Federal agencies that concern employment and training into a single plan which is approved by the Secretary of the Interior. These expenditures are generally presented as either education services or human services expenditures in the accompanying financial statements.

Department of Transportation was established to account for federal funds received from the Federal Highway Administration (FHWA), for and on behalf of the United States Department of Transportation (DOT), for use in the planning, designing, constructing and maintaining highways, roads, bridges or transit facility programs. Roads constructed with DOT funds are not capitalized by the Nation as they are transferred to other governmental agencies upon completion. These expenditures are generally presented as community services expenditures in the accompanying financial statements.

Self Governance DHHS was established to account for federal funds received under the Nation's Self Governance compact with the United States Department of Health and Human Services (DHHS). These funds are used to administer a number of programs under Indian Health Services (IHS) relating to health and human services including the operation of the Cherokee Nation W.W. Hastings Hospital (Hospital) in Tahlequah, Oklahoma and ten clinics located in various communities throughout the Nation's reservation boundaries. These expenditures are generally presented as health or community services expenditures in the accompanying financial statements.

Housing and Urban Development was established to account for grant funds received from the Department of Housing and Urban Development (HUD) to improve living conditions and renovate homes of Indian residents. During fiscal year 2019, the majority of the program expenditures were in the form of subrecipient payments to the HACN, a discretely presented proprietary component unit of the Nation. These expenditures are generally presented as community services expenditures in the accompanying financial statements.

Capital Projects Funds

Capital Projects Funds are used to report resources that are restricted, committed or assigned to expenditures for major capital acquisition and construction separately from ongoing operational activities. The Nation has one major capital projects fund, its Capital Projects Fund.

Debt Service Funds

Debt Service Funds are used to account for and report resources that are restricted, committed or assigned to expenditures for principal and interest. The Nation has no debt service funds.

Permanent Funds

Permanent funds are used to report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes supporting the Nation's programs. The Nation's nonmajor Permanent Funds contain two endowments, both of which allow the expenditure of income for tuition and educational purposes, with the principal being unavailable for disbursement. The trust agreements state the distributions of income shall go to individuals one-quarter or more of Cherokee blood quantum. All fund balances from the endowments are either nonspendable or restricted.

The Sequoyah Endowment was established in fiscal year 1991 by the Louise K. Green-Matthews Grant in Environmental Science in the amount of \$134,000. It was established to foster and encourage Cherokee students of at least one-quarter blood quantum to engage in obtaining a graduate education in Environmental Science or Natural Sciences. The income from the trust is available to provide one to two grants annually. The amount of net appreciation on the investment of the Sequoyah Endowment is \$85,000 which is the available amount reflected in the fund balance.

The Glenn and Faye Gammon Education Trust was established in fiscal year 2001 by a willed contribution of \$291,000 to provide Cherokee higher education scholarships. In accordance with the will, income from the trust is used to provide tuition and related educational, travel and living expenses for Cherokee students with a blood quantum of one-quarter or more. The amount of net appreciation on the investment of the Gammon Education Trust is \$11,000 which is the available amount reflected in the fund balance.

Governmental fund financial statements include a balance sheet and a statement of revenues, expenditures and changes in fund balances for all major governmental funds and nonmajor funds aggregated. A reconciliation is presented to summarize the differences in fund balances of the governmental fund financial statements and the net position of the governmental activities in the government-wide financial statements. These differences are further explained in Note 2 to the basic financial statements.

Proprietary Funds

Proprietary funds are used to account for the Nation's ongoing operations and activities which are similar to those often found in the private sector where the intent is that costs of providing goods and services be recovered through user charges. The proprietary funds maintained by the Nation are enterprise funds and internal service funds.

The enterprise funds are proprietary funds that are used to report activities for which a fee is charged to external users. The Nation accounts for its Tsa-La-Gi Apartments, Title VI Loan Fund, CN Sanitary Landfill, and Economic Development Trust Authority (EDTA) activities in these funds. The Nation has no major enterprise funds.

Internal service funds are used to report activities which provide goods or services to other funds, departments, or agencies of the primary government and its component units, or to other governments, on a cost-reimbursement basis. The Nation includes services such as internal leases, fringe pool, and indirect cost pool in these funds. Substantially all of the internal service funds' net position and activities are combined with the governmental activities in the government-wide financial statements. The fringe pool had a net position deficit of \$6,726,000 at September 30, 2019. The Nation continues to evaluate the cost-reimbursement allocation for the fringe pool and reduce the cost of certain fringe benefits. Note disclosures for governmental activities also include related amounts for the internal service funds.

See pages 37 - 44 for descriptions of discretely presented component units.

Enterprise and internal service fund financial statements include a statement of net position, a statement of revenues, expenses and changes in fund net position, and a statement of cash flows. The enterprise fund financial information is presented under the business-type activities columns. A column representing internal service funds is also presented in these statements, with the majority of the internal service funds' net position and activities combined with the governmental activities in the government-wide financial statements.

Measurement Focus

The measurement focus determines the accounting and financial reporting treatment applied to a fund. The governmental and business-type activities within the government-wide Statement of Net Position and Statement of Activities are presented using the economic resources measurement focus. The economic resources measurement focus meets the accounting objectives of determining net income, net position, and cash flows.

The fund financial statements use either the current financial resources measurement focus or the economic resources measurement focus as appropriate. Governmental funds use the current financial resources measurement focus. This measurement focus is based upon the receipt and disbursement of current available financial resources rather than upon net income. The measurement focus of the proprietary fund types, the flow of economic resources, is based upon determination of net income, net position and cash flows.

Basis of Accounting

The accrual basis of accounting is used throughout the government-wide financial statements; conversely, the financial statements of the General Fund, Special Revenue Funds, Capital Project Funds, Debt Service Funds and Permanent Funds have been prepared in accordance with the modified accrual basis of accounting, whereby revenues are recognized when considered both measurable and available to finance expenditures of the current period. The Nation accrues intergovernmental, property rentals, dividends, and tax revenues based upon this concept. Expenditures are generally recognized when the related fund liabilities are incurred and become payable in the current period. Proceeds of debt are reported as other financing sources, and principal and interest on long-term debt are recorded as expenditures when paid.

The financial statements of the Enterprise Funds, Internal Service Funds, and the proprietary component units have been prepared in accordance with the accrual basis of accounting. Accordingly, revenues are recorded when earned, and expenses and related liabilities are recorded when incurred.

Adoption of Accounting Principles

Effective October 1, 2018, the Nation implemented the following financial accounting and reporting standard issued by GASB:

Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* — This statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. See Note 8 for the required disclosures.

Accounting Policies

The Nation's significant accounting policies related to the following basic financial statement categories are summarized below:

Cash and Cash Equivalents

The Nation considers all highly liquid investments in debt securities with maturities of three months or less when purchased to be cash equivalents. A "pooled cash" concept is used in maintaining certain cash accounts in the accounting records. Under this method, cash is pooled and each fund participating in the pool has equity in the pooled amount. Pooled cash accounts consist principally of interest-bearing and non-interest-bearing demand deposit accounts.

Restricted Cash, Cash Equivalents and Investments

Amounts represent certain bank account and investment balances restricted for specific purposes as described in Note 3.

Investments

The Nation reports investments at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Accounts Receivable

Amounts represent revenue recognized but not yet received in the current period. Accounts receivable are presented in the Statement of Net Position/Balance Sheet at net realizable value.

Inventories

Inventories of governmental funds are recorded at cost as expenditures when purchased rather than when consumed except as noted below:

The Nation, through its participation with the Indian Health Service National Supply Service Center (NSSC), maintains an inventory of pharmaceutical drugs received from the DHHS. The value of the pharmaceuticals and supplies are reflected as an asset in the Nation's financial statements.

The Nation maintains an inventory of the food for disbursement by Cherokee Nation's Food Distribution program, one of the Nonmajor Governmental Funds. Food acquisitions are initially recorded as inventory and as unearned revenue and are charged to expenditures as used, using the First In, First Out (FIFO) method. Food inventories are valued at the cost assigned to such food items by the granting agency.

CNB's inventories are stated at the lower of cost or market and consist primarily of raw materials and manufactured products, food and beverage items, gaming supplies, hotel supplies, smoke shop, convenience store, golf pro shop, and gift shop inventory. Costs of raw materials and manufactured products are determined using the specific identification method. Inventories are evaluated periodically, and reserves are established as needed to provide for reduced values attributed to slow moving and/or obsolete inventories. Costs of other inventories are determined by an average cost method. The average cost method used is not considered to be significantly different from the FIFO method.

As a result of the operation of the Title VI Loan program, the HACN had authorized to be built or acquired a number of homes in various locations in anticipation of the expected demand for the homes as well as homes for specific homebuyers in accordance with an agreement with them. As of September 30, 2019, these homes and related infrastructure are awaiting transfer of title to the HACN. Until the official transfer is made, the net book value of the homes, in the amount of \$1,260,000 is classified by the Nation as capital assets, depreciable, net in the government-wide statement of net position.

Other Current Assets

Amounts represent prepayments for supplies, pharmaceuticals and other expenditures.

Derivative Instruments

Derivative instruments are complex financial arrangements used to manage specific risks or to make investments and are measured at fair value in the government-wide statement of net position. During the fiscal year 2010, the Nation entered into an interest rate swap agreement (derivative instrument) with a financial institution. This instrument was terminated during September 2019. See Note 8 for additional information. During the fiscal year 2016, the Nation entered into a second interest rate swap agreement (derivative instrument) with a financial institution. See Note 10 for additional information concerning this interest rate swap agreement.

Equity Interests in Component Units

The Nation records its equity interests in component units that exist to enhance the government's ability to provide governmental services in accordance with GASB Statement Number 61. As of September 30, 2019, the Nation held an equity interest in CNB, CNHHS and CHP in the amount of \$930,632,000 and reflected an increase over the prior year of \$48,758,000. Detailed financial statements for the entities can be found on pages 34 and 35.

Capital Assets

The Nation's accounting policies regarding capital assets such as land improvements, buildings, vehicles and equipment are that these assets, with an initial cost of \$5,000 or more, are to be capitalized and depreciated over their estimated useful lives. Purchased or constructed capital assets are valued at historical

cost or estimated historical cost. Donated capital assets, donated works of art and similar items are recorded at acquisition value. Title to certain property and buildings utilized by the Nation, such as Sequoyah High School, the Child Care Development Center, and other land is held by the federal government. Therefore, such assets are not reflected as capital assets in the accompanying financial statements. The Nation has chosen the straight-line depreciation method for its capital assets based on the estimated useful lives of the capital assets as follows:

| <u>Class of Asset</u> | <u>Estimated Useful Life</u> |
|----------------------------|------------------------------|
| Buildings and improvements | 20-50 years |
| Equipment | 3-20 years |
| Land Improvements | 30 years |

The Cherokee Nation has the ability to request that land owned by the Nation and its component units be placed into trust status with the United States of America in Trust for the Cherokee Nation (trust status). If land is accepted into trust status, the Nation and its component units have the ability to continue using the property. When land is placed into trust status, the title to the property is transferred to the Federal Government. Under GAAP, this land is removed from the books of the Nation or its component units since the Nation no longer has title to the land. At September 30, 2019, there were various parcels of land owned by the Nation and its component units that the Nation has requested to be placed into trust status. The cost basis of this land will be written off by the Nation when, and if, the property is accepted into trust status.

GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, provides for a two-step process of identifying potential impairments and testing for impairment. Asset impairment, as defined by GASB No. 42, is a significant, unexpected decline in the service utility of a capital asset. The service utility of a capital asset is the usable capacity that at acquisition was expected to be used to provide service, as distinguished from the level of utilization, which is the portion of the usable capacity currently being used. The events or changes in circumstances that lead to impairments are not considered normal and ordinary. At the time the capital asset was acquired, the event or change in circumstances would not have been expected to occur during the useful life of the capital asset.

CNB evaluates capital assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital asset that has occurred. If a capital asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, the capital asset historical cost and related accumulated depreciation will be decreased proportionately such that the net decrease equals the impairment loss. During the year ended September 30, 2019, there were asset impairments recognized related to the Fort Gibson location flooding event. More information can be found in Note 7.

Intangible Assets

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, establishes accounting and financial reporting requirements for intangible assets, including recognition, initial measurement and amortization. CNE applied the provisions of GASB Statement No. 51 to the Hard Rock licensing agreement it entered into during fiscal year 2009 which resulted in the recognition of an intangible asset, which is reflected as a component of capital assets, depreciable net in the accompanying financial statements. See Note 18 for additional information concerning the Hard Rock licensing agreement. Intangible assets are stated at amortized cost. Amortization is computed using the straight-line method over the contractual life of the asset.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents

a consumption of net position that applies to a future reporting period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Nation has one item that qualifies for reporting in this category, which is the accumulated decrease in fair value of a hedging derivative. The accumulated decrease in fair value of the hedging derivatives result from the interest rate swap agreement having a negative fair value of \$2,297,000, at September 30, 2019. More information can be found in Note 10.

There is also items reported as deferred outflow of resources in the combining statement of net position – component units of goodwill attributed to prior year CNB business acquisitions. One item will be amortized over the estimated period that goodwill is expected to provide a benefit. At September 30, 2019, the estimated remaining life of this item ranges from five to six years. Also included in deferred outflows of resources in 2019, is the purchase of rights to various federal subcontracts that have future revenues associated with them. This item will be amortized over the next one to four years, depending on the contract.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future reporting period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Nation has one item that qualifies for reporting in this category which is the unavailable revenues attributable to notes receivables issued to eligible tribal members and are reported in the Balance Sheet – Governmental Funds.

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for in the same manner as in the government-wide statements.

Unearned Revenues

The Nation is the recipient of grants from several different federal and state agencies. In some instances, the grants are advance funded before eligibility requirements are met (excluding time requirements). The Nation records these grants as unearned revenue until the funds are expended in accordance with the grant terms.

Landfill Closure and Postclosure Care Costs

The Nation, based on the cumulative amount of used capacity, accrues the currently estimated liability for closure and postclosure care costs for the Nation's landfill. Such estimated costs include expected equipment and facility costs, costs of the final cover and postclosure care. The liability recorded by the Nation at September 30, 2019 is based upon the assumption that the Landfill will be operated by the Nation to its full designed capacity.

Taxes

The Nation is exempt from federal and state income taxes; consequently, no provision for income taxes is included in the accompanying financial statements for any fund.

Tsa-La-Gi Apartments are registered as tribal lands held in trust. As such, it is exempt from the payment of city and county property taxes.

CNE, a blended component unit of CNB, pays a gaming tax based on certain gross revenues pursuant to provisions of the National Indian Gaming Regulatory Act. Amounts owed under the gaming tax are paid to the National Indian Gaming Commission (NIGC) on a quarterly basis and have been reflected within

operating expenses in the Statement of Revenues, Expenses, and Changes in Net Position. Total payments for fiscal year 2019 were approximately \$312,000.

Compensated Absences

Vacation leave for the primary government is granted to all permanent full-time and eligible part-time employees. The annual amount of vacation time accrued varies, depending upon years of service, from 13 to 26 days for permanent full-time employees and from 6.5 to 13 days for permanent part-time employees. The maximum amount of vacation that may be accumulated and carried over to the following year is 30 days. Accumulated vacation leave vests, and the Nation is obligated to make payment, even if the employee terminates. Compensated absence liabilities are computed using the regular pay rates in effect at the Statement of Net Position date plus an additional amount for compensation-related payments such as social security and medicare taxes compiled using rates in effect at that date.

On the governmental funds statements, compensated absences are only accrued if the obligation has matured, in other words, the obligation becomes due and payable because of employee resignation, employer buy back or employee retirement. Upon request from the employee and approval by the supervisor and Human Resources, the Cherokee Nation annually buys back designated amounts of accrued annual leave from Regular/Full Time and Regular/Part Time employees, subject to restrictions based on funding agency guidelines as well as fund availability. In fiscal year 2019, the Cherokee Nation bought back \$1,978,000 of accrued annual leave.

Net Position Classifications

Government-wide Statements — Equity is classified as net position and displayed in three components:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes or other borrowings attributable to the acquisition, construction, or improvement of those assets.

Restricted net position consists of net position with constraints placed on the use either by external groups, such as grantors, creditors and external board of directors, or laws and regulations of other governments, or law through Tribal constitutional provisions or enabling legislation. The Nation classifies the equity interests in component units within this category as the operations of these entities are governed by separate, external boards of directors. It is the Nation's policy to use restricted net position prior to the use of unrestricted net position when both restricted and unrestricted net position are available for an expense which has been incurred.

Unrestricted net position consists of all other assets, deferred outflows of resources, liabilities and deferred inflows of resources that do not meet the definition of "restricted" or "net investment in capital assets."

Fund Financial Statements — Governmental fund equity is classified as fund balance. Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily upon the extent to which the Nation is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The categories and their purposes are:

Nonspendable includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal or contractual constraints, including inventories, prepaid assets and the corpus of permanent funds.

Restricted includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as grantors, donors, creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal legislative action of the Tribal Council and does not lapse at year end. A committed fund balance constraint can only be established, modified or rescinded by passage of a Legislative Act (Law) by the Tribal Council.

Assigned includes fund balance amounts that are constrained by the Nation's intent to be used for specific purposes, that are neither restricted nor committed. The assignment of fund balance is authorized by a directive from the Nation's Treasurer or approval of Tribal Council Resolution.

Unassigned includes fund balance amounts within the General Fund which have not been classified within the above mentioned categories. The General Fund is the only fund that reports a positive unassigned fund balance amount.

It is the Nation's policy to use restricted amounts first when both restricted and unrestricted fund balance is available unless prohibited by legal or contractual provisions. Additionally, the Nation uses committed, assigned, and lastly unassigned amounts of fund balance in that order when expenditures are made.

Revenue Recognition

The Nation considers revenue to be susceptible to accrual in the governmental funds as it becomes measurable and available, as defined under the modified accrual basis of accounting. The Nation generally defines the availability period for revenue recognition as received within the reporting period or within ninety (90) days after year end. The Nation's major revenue sources that meet this availability criterion are tax revenues and required dividends paid by component units.

Program Revenues

There are three classifications of programmatic revenues for the Nation, program specific grant and contributions revenue (operating and capital) and charges for services. Grant revenues are revenues from federal, state, and private grants. These revenues are recognized when all applicable eligibility requirements are met and are reported as intergovernmental revenues. The primary source of charges for services is earned income in connection with the operation of the Nation's W.W. Hastings Hospital, clinics and other health-related services, which are funded by the Department of Health and Human Services (DHHS) Self Governance Compact. Under the provisions of the Self Governance Agreement with DHHS, the Nation is required to expend this program income for purposes similar to those funded by the basic DHHS Self Governance Compact. There are no specific requirements designating when or in what order program and other self governance funds should be spent. Program income earned from clinic and other health-related services in the form of third party billed revenue during the year ended September 30, 2019 was \$155,751,000.

Grants and contributions not restricted to specific programs

In the government-wide Statement of Activities, the Nation's Self Governance DOI compact is reported as General Revenues because under this compact the Nation has discretion in the application of these funds to various programs/functions administered under the general provisions of the compact.

Operating and Nonoperating Revenues and Expenses

In the Proprietary Funds and component units, operating revenues are those revenues produced as a result of providing services and producing and delivering goods, including all interest income on loan transactions and other events. Nonoperating revenues are funds primarily provided by investing activities, such as financial institution interest income, gains on disposal of assets and insurance recoveries on property loss. Operating expenses are those expenses related to the production of revenue. Nonoperating expenses are

those expenses not directly related to the production of revenue, and include items such as interest expense and losses on disposal of assets.

Interest Income

Interest income is recorded as earned in the fund holding the interest bearing asset.

Interest Income - Self Governance Compacts

The Nation receives certain amounts of advance funding as a self governance compact tribe in three large self governance compacts with the DOI and DHHS. These funds are invested in interest earning assets until the funds are expended under the terms of the self governance compacts. The Nation need not refund the interest earnings under these compacts and is not directly accountable to the DOI or the DHHS for the expenditure of these interest earnings. The discretionary interest is recorded in the Self Governance funds but is allocated to other programmatic expenditures through the budgeting process.

Interest Income - Grants

The Nation receives certain amounts of advance funding in connection with four large grants: (1) NAHASDA, funded by HUD, (2) the Sequoyah High School Grant, which is funded by the DOI and the Department of Education, (3) the Department of Transportation, funded through the FHWA for and on the behalf of the DOT and (4) PL 102-477 which is funded by the Department of Labor (DOL) and the DHHS through the DOI. The applicable legislation and regulations for each grant authorize the earning of interest on advance payments; the use of which is governed by the same.

Internal Activities

The Nation's policy for eliminating internal activities in the government-wide Statement of Activities is the look-back approach. This method prescribes that the internal service funds operate on a breakeven basis. The net profit or loss on an internal service fund is to be allocated to the government's programs/departments that benefited from the goods or services provided based on their proportionate benefit.

Indirect Costs

The government-wide Statement of Activities does not use a separate column to identify allocated indirect costs since the allocation is automatically calculated. Indirect costs are included in the program operating expenses reported for individual functions and activities in the fund statements.

The Nation's indirect cost plan utilizes a fixed rate with carryforward. To the extent that actual indirect cost expenses differ materially from indirect cost recoveries, the difference is recorded as a liability (overrecovered) or an asset (underrecovered) and reversed in the period the difference is used to adjust the indirect cost rate.

Budgets and Budgetary Accounting Policies

Title 62, §31-32 provides the legal level of budgetary control for the Cherokee Nation. The Executive and Finance Committee of the Council, upon direction of the Treasurer and with advisement from the Controller, shall formulate an annual appropriations bill. The bill shall contain the legal budgeted annual revenue and expenditures/expenses for the general fund and enterprise funds for the executive, legislative, and judicial branches of government. The functional level (e.g. health services) is used for reporting the legal level of budgetary control. The sources of revenue may be based upon estimates. The budgeted expenditures/expenses for these funds shall not exceed total estimated revenues and beginning fund balance and net position. The Executive and Finance Committee of the Council, upon direction of the Treasurer and with advisement from the Controller, shall be responsible for proposing amendments to the annual appropriations law based upon material changes in real or estimated revenues and expenditures/expenses that affect the total amounts budgeted. Management budgets are developed at the accounting unit level.

Any amendments to the annual appropriations bill shall be presented to the full Tribal Council for consideration and passage. Any funds received by the Cherokee Nation, the use of which is determined by the granting or contracting agency (special revenue funds) shall be used only for those purposes and under those conditions for which the funds are made available and such funds are not subject to legal appropriation by the Tribal Council.

The basic financial statements contain a budget and actual comparative statement for the General Fund, a legally budgeted fund. A budgetary statement for Enterprise Funds, which are also legally budgeted, is included in the budgetary information section of Other Supplementary Information.

Budgets for the Nation are prepared on the same basis of accounting as the financial reports; therefore, no reconciliation is necessary.

Management Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reported period. Actual results could differ from those estimates.

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Below is an explanation of certain differences between the governmental funds balance sheet and the government-wide Statement of Net Position:

The governmental funds balance sheet includes a reconciliation of total fund balances of the governmental funds to the total net position of the governmental activities in the Statement of Net Position. One element of that reconciliation explains that “capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore are not reported in the funds.” The details of this \$364,611,000 capital assets used in governmental activities are as follows (dollars in thousands):

| | |
|--|-------------------|
| Capital assets, net | \$ 389,943 |
| Less: Internal service fund capital assets | <u>(25,332)</u> |
| Capital assets used in governmental activities | <u>\$ 364,611</u> |

Another element of the reconciliation is the amount of \$1,402,000 which states “Assets recorded in government-wide financial statements that are not available to pay for current period expenditures, therefore, are unavailable and not recorded in the funds.” The details of this difference are shown below (dollars in thousands):

| | |
|---|-----------------|
| Notes receivable, net - Self Help Housing | <u>\$ 1,402</u> |
|---|-----------------|

Additionally, an element of that reconciliation explains “Liabilities that are not due and payable in the current period and, therefore, not reported in the funds.” The details of this \$168,112,000 difference are as follows (dollars in thousands):

| | |
|----------------|-------------------|
| Long-term debt | <u>\$ 168,112</u> |
|----------------|-------------------|

A reconciliation of the net change in fund balances – total governmental funds reported in the statement of revenues, expenditures, and changes in fund balances for the governmental funds to the change in net position of governmental activities reported in the Statement of Activities is presented in the accompanying basic financial statements.

One element of this reconciliation explains “Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.” The details of this \$63,100,000 difference are as follows (dollars in thousands):

| | |
|--|------------------|
| Capital expenditures in governmental funds capitalized on government-wide financial statements | \$ 75,317 |
| Depreciation expense | <u>(12,217)</u> |
| Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities | <u>\$ 63,100</u> |

Some expenses are reported in the Statement of Activities when incurred and presented as expenditures in the governmental funds when paid. The details of this \$2,040,000 difference are as shown below (dollars in thousands):

| | |
|---|-----------------|
| Additional capital outlay expense and loss on disposal | \$ 2,412 |
| Other | <u>(372)</u> |
| Net adjustment to decrease changes in fund balance - total governmental funds to arrive at changes in net position of governmental activities | <u>\$ 2,040</u> |

3. DEPOSITS AND INVESTMENTS

Deposits

During 2015, the Nation enacted Legislative Act (LA) 14-15 known as the “Financial Security and Stability Act of 2015” amending LA13-85 relating to the deposit and investment of funds. This legislative act defined financial institutions and financial instruments. A financial institution shall be an entity or depository whose primary business and function focuses on dealing with financial services and transactions, such as investments, loans and deposits. A financial institution shall include Federal Deposit Insurance Corporation (FDIC) insured banks, National Credit Union Association (NCUA) insured credit unions and other financial institutions whose activities are controlled or regulated by federal law and/or federal regulations or regulators, including but not limited to the U.S. Securities and Exchange Commission. A financial instrument shall be any negotiable asset or instrument with monetary value. Allowable financial instruments shall include, but not be limited to, Demand Deposits, Certificates of Deposit, Certificates of Deposit Account Registry (CDARS), Insured Cash Sweeps (ICS), Savings Accounts, repurchase/ reverse repurchase agreements, U.S. Treasuries and U.S. government securities and those issued by its agencies and instrumentalities, and Institutional Money Market Funds whereby those funds are comprised of a majority of allowable financial instruments as described above.

In December 2017, the Nation enacted LA 35-17 establishing the Cherokee Nation Sovereign Wealth Fund (CNSWF). The two largest funds within the CNSWF are the Education Reserve and the Emergency

Reserve. Intended to provide financial security in the event of unforeseen future issues, these reserve funds will be invested for growth purposes under the direction of the Treasurer.

Custodial credit risk is the risk that in the event of a bank failure, the Nation's deposits may not be returned. No funds under the control of the Nation shall be invested with any financial institution unless the financial institution is insured by the FDIC, NCUA and/or the financial institution's activities are controlled or regulated by federal law and/or federal regulations or regulators, including but not limited to the U.S. Securities and Exchange Commission. No funds in excess of current FDIC or NCUA insurance maximums shall be invested in a single financial institution unless said funds are collateralized either by and/or invested directly into obligations and/or bonds which contain an investment grade rating from a nationally recognized rating firms, such as Standard and Poor's, Moody's or Fitch, or local, state, U.S. Government securities, and those issued by its agencies and instrumentalities, and Nation securities. Collateralized funds shall be secured and pledged to the Nation via joint custody receipts for the full amount of said funds.

Deposits of the primary government are generally insured or covered by pledged collateral. At September 30, 2019, all deposits were insured or collateralized and held by various safe-keeping agents in the Nation's name. Component units' deposits of \$2,642,000 at September 30, 2019 were uninsured and uncollateralized.

Investments

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The Nation has no formal policy relating to a specific investment-related risk; however, the Nation manages interest rate risk by maintaining a balance of highly liquid investments and a "ladder" approach to long-term investments. Funds are invested in blocks, normally of \$1,000,000 or greater, with maturities ranging from one to fifteen years. Any investment with a maturity date of over five years requires consent of the Executive and Finance Committee of the Council, with the exception of investments held by the U.S. Department of Interior's Office of Trust Fund Management (OTFM). Those investments are made based on the general investment strategy and guidance provided by the Nation.

CNB's investment policy restricts investment maturities to a period of five years or less. CNB and its component units' interest rate risk was minimized by the highly liquid nature of its money market investment accounts at September 30, 2019.

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. While the Nation has no formal policy relating to the credit risk of investments the Nation's investments in U.S. agencies and commercial paper were rated either AAA or AA+ by Standard & Poor's, AAA by Fitch Ratings and Aaa by Moody's Investors Service. The Nation's and CNB's mutual fund bond investments were rated AAA by Standard & Poor's and Aaa by Moody's Investors Service.

Concentration of credit risk is the risk of loss attributed to the magnitude of the Nation's investment in a single issuer. The Nation's investment policy does not specifically address concentration of credit risk. Of the total primary government's investments in U.S. government sponsored entities, \$1,322,000, or 7%, is invested in Fannie Mae (FNMA) securities, \$4,384,000 or 24%, is invested in Federal Agricultural Mortgage Corporation (FAMCA) securities, \$4,464,000, or 25% is invested in Federal Farm Credit Banks (FFCB), and \$7,866,000, or 44%, is invested in Federal Home Loan Bank (FHLB) securities.

Investments Measured at Fair Value

The Nation 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 Nation has the following recurring fair value measurements as of September 30, 2019:

- U.S. Treasury securities of \$248,273,000 are valued using quoted market prices (Level 1 inputs).
- Money Market Trust funds of \$87,009,000 are valued using quoted market prices (Level 1 inputs).
- Repurchase agreements of \$59,000 are valued using quoted market prices (Level 1 inputs).
- U.S. Government sponsored entities of \$18,036,000 are valued using quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets where there isn't sufficient activity, and/or where price quotations vary substantially either over time or among market makers, or in which little information is released publically. (Level 2 inputs).
- Interest rate swap agreements are valued at estimated fair value (Level 2 inputs). See Note 10, specifically under the Fair Value subheadings, for more information.

The component units have the following recurring fair value measurements as of September 30, 2019:

- Money market mutual funds of \$190,540,000 are valued using quoted market prices (Level 1 inputs).
- Mutual funds of \$1,369,000 are valued using quoted market prices (Level 1 inputs).
- Repurchase agreements of \$376,000 are valued using quoted market prices (Level 1 inputs).

Investments, categorized as to interest and credit risk, at September 30, 2019 were as follows (dollars in thousands):

| <u>Investment Type</u> | <u>Investment Maturities (in Years)</u> | | | | | <u>Credit Rating Moody's/S&P</u> |
|------------------------------------|---|------------------------|-----------------|-----------------|-------------------------|--|
| | <u>Fair Value</u> | <u>Less Than 1</u> | <u>1 - 5</u> | <u>6 - 10</u> | <u>More Than 10</u> | |
| Primary Government: | | | | | | |
| U.S. Treasury Obligations | \$ 248,273 | \$ 248,273 | \$ - | \$ - | \$ - | |
| Money market trust funds | 87,009 | 87,009 | - | - | - | (1) |
| Repurchase agreements | 59 | 59 | - | - | - | N/R |
| U.S. Government sponsored entities | 18,036 | - | 74 | 9,443 | 8,519 | Aaa/AA+ |
| Total Primary Government | <u>\$ 353,377</u> | <u>\$ 335,341</u> | <u>\$ 74</u> | <u>\$ 9,443</u> | <u>\$ 8,519</u> | |
| Component Units: | | | | | | |
| Money market mutual funds | \$ 190,540 | \$ 190,540 | \$ - | \$ - | \$ - | (2) |
| Mutual funds | 1,369 | - | 1,369 | - | - | (2) |
| Repurchase agreement | 376 | 376 | - | - | - | AAA |
| Total Component Units | <u>\$ 192,285</u> | <u>\$ 190,916</u> | <u>\$ 1,369</u> | <u>\$ -</u> | <u>\$ -</u> | |

(1) The Money Market Trust Funds are comprised of U.S. Treasuries and Repurchase Agreements collateralized by U.S. Treasury obligations.

(2) While these Money Market Mutual funds and Mutual funds do not have formal ratings, they are Governmental or Institutional type funds that are invested only in securities that have the highest short term rating from at least two nationally recognized statistical rating organizations (NRSRO's).

A reconciliation of the investments for the Primary Government presented on the previous page to the investments as presented in the Statement of Net Position as shown below (in thousands):

| | |
|--|------------------|
| Investments as presented on previous page | \$ 353,377 |
| Plus CDARS reported as investments | 6,230 |
| Less U.S. Treasury obligations reported as Cash & Cash Equivalents | (248,273) |
| Less Money market trust fund and Repurchase agreements reported as Cash & Cash Equivalents & Investments | <u>(87,068)</u> |
| Total investments | <u>\$ 24,266</u> |

A reconciliation of the unrestricted investments for the Component Units presented on the previous page to the unrestricted investments as presented in the Statement of Net Position as follows (dollars in thousands):

| | |
|--|------------------|
| Investments as presented on previous page | \$ 192,285 |
| Plus Certificates of Deposit reported as investments | 3,303 |
| Less Money market mutual funds and mutual funds reported as Cash Equivalents | <u>(190,439)</u> |
| Total unrestricted investments | <u>\$ 5,149</u> |

Restricted Cash, Cash Equivalents and Investments

Restricted cash, cash equivalents and investments and reserved cash at September 30, 2019 as shown below (dollars in thousands):

Primary Government

| | |
|---|-----------------|
| Tenant security deposits held in trust, replacement reserves and mortgage escrow deposits for Tsa-La-Gi | \$ 36 |
| Capital replacement, closure and postclosure care costs of the Landfill Closure fund | 3,505 |
| Scholarship funds and youth development projects | 522 |
| District Court escrow account | <u>11</u> |
| Total Primary Government restricted cash, cash equivalents and investments | <u>\$ 4,074</u> |

Component Units

| | |
|--|------------------|
| HACN's lease-to-own homeownership program monthly equity payments | 2,710 |
| Pari-mutuel horse racing activities funds | 7,342 |
| CNB cash related to federal grants | 102 |
| CNF endowment funds | <u>122</u> |
| Total Component Unit restricted cash, cash equivalents and investments | <u>\$ 10,276</u> |

4. RECEIVABLES

Receivables for primary government at September 30, 2019 consisted of the following (dollars in thousands):

| | Contracts Receivable | Accounts Receivable | Interest Receivable | Total | Notes Receivable |
|---|---------------------------------|--------------------------------|--------------------------------|------------------|-----------------------------|
| Governmental Receivables: | | | | | |
| General | | | | | |
| Motor fuel taxes | \$ - | \$ 3,159 | \$ - | \$ 3,159 | \$ - |
| Other taxes | - | 151 | - | 151 | - |
| Other accounts receivable | - | 1,441 | - | 1,441 | - |
| Special Revenue Funds | 7,892 | 15,223 | 151 | 23,266 | 1,402 |
| Other - Internal Service Funds | - | 1,254 | - | 1,254 | - |
| | <u>-</u> | <u>1,254</u> | <u>-</u> | <u>1,254</u> | <u>-</u> |
| Receivables of Governmental Activities | <u>\$ 7,892</u> | <u>\$ 21,228</u> | <u>\$ 151</u> | <u>\$ 29,271</u> | <u>\$ 1,402</u> |
| Business-type Activities: | | | | | |
| CN Sanitary Landfill | \$ - | \$ 311 | \$ - | \$ 311 | \$ - |
| EDTA | - | 2 | - | 2 | - |
| Notes receivable, current | - | - | - | - | 3,033 |
| Long-term notes receivable | - | - | - | - | 7,939 |
| | <u>-</u> | <u>313</u> | <u>-</u> | <u>313</u> | <u>10,972</u> |
| Less: Allowance for uncollectables | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(330)</u> |
| Receivables of Business-type Activities | <u>\$ -</u> | <u>\$ 313</u> | <u>\$ -</u> | <u>\$ 313</u> | <u>\$ 10,642</u> |

Accounts receivable for Special Revenue Funds include amounts receivable from Medicare, Medicaid and insurance companies for services provided to covered patients at the Nation's W.W. Hastings Hospital and clinics.

Receivables for component units at September 30, 2019 shown below consisted of the following (dollars in thousands):

| | Component Units | | | | | | | |
|------------------------------------|------------------------|------------------|--------------|---------------|-----------------|-------------|--------------|-------------------|
| | CNB | HACN | CNCCA | CNHHS | CHP | CNF | CNHS | Total |
| Receivables: | | | | | | | | |
| Accounts and Other | \$ 137,138 | \$ 708 | \$ 86 | \$ 530 | \$ 1,129 | \$ 6 | \$ 19 | \$ 139,616 |
| Interest | - | 603 | - | - | - | - | - | 603 |
| Notes | - | 13,996 | - | - | - | - | - | 13,996 |
| | <u>137,138</u> | <u>15,307</u> | <u>86</u> | <u>530</u> | <u>1,129</u> | <u>6</u> | <u>19</u> | <u>154,215</u> |
| Less: Allowance for uncollectables | <u>(62)</u> | <u>-</u> | <u>-</u> | <u>(66)</u> | <u>(99)</u> | <u>-</u> | <u>-</u> | <u>(227)</u> |
| Receivables, net | <u>\$ 137,076</u> | <u>\$ 15,307</u> | <u>\$ 86</u> | <u>\$ 464</u> | <u>\$ 1,030</u> | <u>\$ 6</u> | <u>\$ 19</u> | <u>\$ 153,988</u> |

Mortgages Receivable – Title VI

HACN has mortgages receivable at September 30, 2019 totaling \$13,250,000 from individuals who are participating in the Title VI loan program. Each of these loans is secured by a mortgage on the house sold by HACN. The loans have an interest rate of 4% and are payable over 30 years. No allowance has been recorded as of September 30, 2019 as the Housing Authority believes the amounts to be collectable or if the houses are reacquired by HACN, the value of the home will equal or exceed the balance of the loan. At September 30, 2019, the current and noncurrent portions of these mortgages receivable were \$530,000 and \$12,720,000, respectively.

5. INTERFUND TRANSFERS AND BALANCES

Interfund transfers for the year ended September 30, 2019 consisted of the following (dollars in thousands):

| Category and Fund | Transfers from Other Funds | Transfers to Other Funds |
|--|-------------------------------|-----------------------------|
| Governmental Activities: | | |
| Governmental Funds: | | |
| General | \$ 5,718 | \$ (5,064) |
| Department of Transportation | - | (1,708) |
| Self Governance DHHS | 641 | (18,621) |
| Capital Projects Fund | 16,621 | - |
| Nonmajor Governmental Funds | 3,139 | (1,375) |
| Total Governmental Funds | <u>26,119</u> | <u>(26,768)</u> |
| Internal Service Funds | <u>9</u> | <u>(1,200)</u> |
| Total Governmental Activities | <u>26,128</u> | <u>(27,968)</u> |
| Business-type Activities: | | |
| Proprietary Funds: | | |
| Nonmajor Enterprise Funds | <u>1,847</u> | <u>(7)</u> |
| Total Proprietary Funds | <u>1,847</u> | <u>(7)</u> |
| Total Business-type Activities | <u>1,847</u> | <u>(7)</u> |
| Total Primary Government | <u>\$ 27,975</u> | <u>\$ (27,975)</u> |
| Reconciliation to government-wide Statement of Activities: | | |
| Governmental Activities: | | |
| Transfers In | \$ 26,128 | |
| Transfers Out | <u>(27,968)</u> | |
| Net Transfer Governmental Activities | | <u>\$ (1,840)</u> |
| Business-type Activities: | | |
| Transfers In | \$ 1,847 | |
| Transfers Out | <u>(7)</u> | |
| Net Transfer Business-type Activities | | <u>\$ 1,840</u> |

Transfers are generally used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them or (2) move unrestricted revenues collected in the General Fund, or other funds, to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund balances at September 30, 2019 consisted of the following (dollars in thousands):

| Category and Fund | Due from Other Funds | Due to Other Funds |
|--|-------------------------|-----------------------|
| Governmental Activities: | | |
| Governmental Funds: | | |
| General | \$ 42,480 | \$ 14,022 |
| PL 102-477 | - | 15,918 |
| Department of Transportation | - | 1,573 |
| Self Governance DHHS | - | 48,688 |
| Housing & Urban Development | 1,970 | - |
| Capital Projects Fund | 33,824 | - |
| Nonmajor Governmental Funds | 666 | 9,905 |
| Total Governmental Funds | 78,940 | 90,106 |
| Internal Service Funds | 16,064 | 1,694 |
| Total Governmental Activities | 95,004 | 91,800 |
| Business-type Activities: | | |
| Proprietary Funds: | | |
| Nonmajor Enterprise Funds | - | 3,204 |
| Total Proprietary Funds | - | 3,204 |
| Total Business-type Activities | - | 3,204 |
| Total Primary Government | \$ 95,004 | \$ 95,004 |
| Reconciliation to government-wide Statement of Net Position: | | |
| Governmental Activities: | | |
| Due from Other Funds | \$ 95,004 | |
| Due to Other Funds | (91,800) | |
| Net Internal Balances | | \$ 3,204 |
| Business-type Activities: | | |
| Due to Other Funds | \$ (3,204) | |
| Net Internal Balances | | \$ (3,204) |

Interfund balances result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, the dates the transactions are recorded in the accounting system, and the date payments between funds are made.

Interfund balances that are not expected to be repaid within one year include \$3,133,000 due from nonmajor enterprise funds to the general fund. This balance is related to reimbursements for capital purchases and is expected to be paid over several years.

6. INVENTORIES

The Nation's inventories were comprised of the following at September 30, 2019 (dollars in thousands):

| | Governmental Funds | Internal Service Funds | Component Units |
|----------------------------------|-------------------------------|---------------------------------------|----------------------------|
| Finished goods and raw materials | \$ - | \$ - | \$ 15,479 |
| Food for distribution | 1,362 | - | - |
| Pharmaceuticals and supplies | <u>5,241</u> | <u>233</u> | <u>673</u> |
| | 6,603 | 233 | 16,152 |
| Less inventory reserves | <u>-</u> | <u>-</u> | <u>(2,495)</u> |
| Total inventories | <u>\$ 6,603</u> | <u>\$ 233</u> | <u>\$ 13,657</u> |

The majority of the component unit inventory at September 30, 2019 relates to the Engineering and Manufacturing Sector of CNB which provides electrical, electro-mechanical, interconnect solutions, distributing, kitting and manufacturing cable and wire harness assemblies. These businesses have manufactured numerous projects that required expertise in medium, to complex integration in ground support, test, and flight hardware and armament systems.

7. CAPITAL ASSETS

A summary of capital assets activity by major class, for the year ended September 30, 2019 follows (dollars in thousands):

Governmental Activities

| | Balance, September 30, <u>2018</u> | <u>Additions</u> | <u>Reductions</u> | Balance, September 30, <u>2019</u> |
|---|---|-------------------------|--------------------------|---|
| Activity by Major Class | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 20,776 | \$ 22 | \$ - | \$ 20,798 |
| Construction in process | 105,677 | 49,794 | - | 155,471 |
| Total capital assets, not being depreciated | <u>126,453</u> | <u>49,816</u> | <u>-</u> | <u>176,269</u> |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 229,388 | 5,743 | (2,921) | 232,210 |
| Equipment | 87,308 | 27,469 | (915) | 113,862 |
| Land improvements | 1,439 | 258 | - | 1,697 |
| Total capital assets being depreciated | <u>318,135</u> | <u>33,470</u> | <u>(3,836)</u> | <u>347,769</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (50,775) | (6,398) | 479 | (56,694) |
| Equipment | (71,921) | (5,744) | 797 | (76,868) |
| Land improvements | (460) | (75) | 2 | (533) |
| Total accumulated depreciation | <u>(123,156)</u> | <u>(12,217)</u> | <u>1,278</u> | <u>(134,095)</u> |
| Total capital assets being depreciated, net | <u>194,979</u> | <u>21,253</u> | <u>(2,558)</u> | <u>213,674</u> |
| Activity by major class capital assets, net | <u>\$ 321,432</u> | <u>\$ 71,069</u> | <u>\$ (2,558)</u> | <u>\$ 389,943</u> |

Depreciation expense was charged to functions as follows:

| | |
|--|------------------|
| Governmental activities: | |
| Tribal Government | \$ 3,455 |
| Health Services | 7,043 |
| Education Services | 479 |
| Human Services | 367 |
| Community Services | <u>873</u> |
| Total Governmental activities depreciation expense | <u>\$ 12,217</u> |

Business-type Activities

| | Balance, September 30, <u>2018</u> | <u>Additions</u> | <u>Reductions</u> | Balance, September 30, <u>2019</u> |
|--|---|-------------------------|--------------------------|---|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 236 | \$ - | \$ - | \$ 236 |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 1,905 | - | - | 1,905 |
| Equipment | 1,787 | 29 | - | 1,816 |
| Land improvements | - | 1,607 | - | 1,607 |
| Total capital assets being depreciated | <u>3,692</u> | <u>1,636</u> | <u>-</u> | <u>5,328</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (1,728) | (42) | - | (1,770) |
| Equipment | (969) | (448) | - | (1,417) |
| Total accumulated depreciation | <u>(2,697)</u> | <u>(490)</u> | <u>-</u> | <u>(3,187)</u> |
| Total capital assets being depreciated, net | <u>995</u> | <u>1,146</u> | <u>-</u> | <u>2,141</u> |
| Business-type activities capital assets, net | <u>\$ 1,231</u> | <u>\$ 1,146</u> | <u>\$ -</u> | <u>\$ 2,377</u> |

Depreciation expense of \$46,000 was recognized by Tsa-La-Gi Apartments while depreciation of \$444,000 was recognized by CN Sanitary Landfill for the year ended September 30, 2019.

Component Unit Activities

| | Balance, September 30, <u>2018</u> | <u>Additions</u> | <u>Reductions</u> | Balance, September 30, <u>2019</u> |
|--|---|-------------------------|--------------------------|---|
| CNB and HACN: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 53,985 | \$ 292 | \$ (606) | \$ 53,671 |
| Construction in process | 44,404 | 126,946 | (132,562) | 38,788 |
| Artwork | 3,660 | 147 | (24) | 3,783 |
| Total capital assets, not being depreciated | <u>102,049</u> | <u>127,385</u> | <u>(133,192)</u> | <u>96,242</u> |
| Capital assets being depreciated: | | | | |
| Buildings, improvements and other | 793,804 | 97,787 | (16,973) | 874,618 |
| Machinery and equipment | 243,858 | 39,675 | (32,848) | 250,685 |
| Total capital assets being depreciated | <u>1,037,662</u> | <u>137,462</u> | <u>(49,821)</u> | <u>1,125,303</u> |
| Less accumulated depreciation for: | | | | |
| Buildings, improvements and other | (251,608) | (32,877) | 10,880 | (273,605) |
| Machinery and equipment | (178,030) | (25,426) | 30,940 | (172,516) |
| Total accumulated depreciation | <u>(429,638)</u> | <u>(58,303)</u> | <u>41,820</u> | <u>(446,121)</u> |
| Total capital assets being depreciated, net | <u>608,024</u> | <u>79,159</u> | <u>(8,001)</u> | <u>679,182</u> |
| CNB and HACN activities - capital assets, net | <u>710,073</u> | <u>206,544</u> | <u>(141,193)</u> | <u>775,424</u> |
| Other Component Units: | | | | |
| CNHHS, CNCCA, CHP, CNF and CNHS capital assets, net | <u>6,187</u> | <u>1,306</u> | <u>(1,980)</u> | <u>5,513</u> |
| Total of the Component Unit activities - capital assets, net | <u>\$ 716,260</u> | <u>\$ 207,850</u> | <u>\$ (143,173)</u> | <u>\$ 780,937</u> |

In May 2019, the CNB casino in Fort Gibson, Oklahoma, experienced flooding conditions. The flooding caused property damage and the closing of the casino for a period of approximately 14 weeks. CNB had insurance to cover the related property damage and the business interruption, subject to a \$500,000 deductible and 14-day waiting period, respectively.

For the year ended September 30, 2019, CNB incurred a capital asset impairment loss related to the event of \$3,570,000, net of insurance recoveries of \$5,516,000. As of the date the financial statements were available to be issued, \$2,500,000 has been received from property insurance. The resulting \$1,946,000 gain on insurance recoveries is reflected as a component of nonoperating income in the accompanying combining statements of revenues, expenses and changes in net position – component units.

With regard to the business interruption insurance coverage, CNB has accrued proceeds totaling \$5,580,000 for the year ended September 30, 2019. Proceeds were accrued based on initial estimates provided by a third-party consultant. The accrued business interruption proceeds were recorded in accounts receivable, net, in the accompanying combining statements of net position – component units and in charges for

services and goods in the accompanying combining statements of revenues, expenses and changes in net position – component units.

8. LONG-TERM DEBT

Long-term debt activity for the year ended September 30, 2019 was as follows (dollars in thousands):

| <u>Governmental Activities</u> | <u>Balance,</u> <u>September 30,</u> <u>2018</u> | | | <u>Balance,</u> <u>September 30,</u> <u>2019</u> | | |
|--|--|-------------------|----------------------------------|--|------------------|-------------------|
| | <u>Additions</u> | <u>Reductions</u> | <u>Current</u> <u>Portion</u> | <u>Long-Term</u> <u>Portion</u> | | |
| Notes Payable | | | | | | |
| Note payable to Bank of Oklahoma (BOK) in fixed principal payments. See (1) below. | \$ 10,933 | \$ - | \$ (10,933) | \$ - | \$ - | \$ - |
| Note payable to construct Tahlequah Outpatient Health Facility. See (2) below. | <u>106,871</u> | <u>63,130</u> | <u>(1,889)</u> | <u>168,112</u> | <u>11,333</u> | <u>156,779</u> |
| Total long-term debt | <u>\$ 117,804</u> | <u>\$ 63,130</u> | <u>\$ (12,822)</u> | <u>\$ 168,112</u> | <u>\$ 11,333</u> | <u>\$ 156,779</u> |

(1) This note, along with additional program income transfers from the SG DHHS Fund, provided the funding for the construction of a new clinic in Vinita. The revenues and expenditures relating to the construction of the new Vinita Clinic were accounted for in the Capital Projects Fund. This note was paid off in September 2019. The Nation entered into a swap agreement with Bank of Oklahoma to synthetically fix the interest rate on the original amount of the note of \$24 million. The swap agreement synthetically fixed the rate at 3.16%. The agreement covered the entire 15-year term. Since the loan and swap agreement were terminated early, the Nation paid a termination fee of \$326,000 on September 19, 2019 as required by the swap agreement based upon the fair value of the swap at that time. Collateral previously associated with this loan was released as part of the loan agreement detailed in (2).

(2) This direct placement note provides the funding for the construction of a new outpatient health facility in Tahlequah, Oklahoma. The principal amount of the note is \$170,000,000 for the purposes of financing a portion of the costs of the construction of the project, financing a portion of the costs of furniture, fixtures and equipment for the project, optionally redeeming the Bonds, and paying transaction costs. This note had an interest only period until the first principal payment on the loan was paid on August 31, 2019, with each scheduled installment being an amount equal to 1/180th of the outstanding principal balance of the loan as of the close of business on August 30, 2019. Payment of each scheduled monthly principal installment shall be accompanied by payment of the interest due. Interest on the note shall be due and payable in arrears on the last day of each calendar month, commencing September 30, 2016 and at maturity. As of August 26, 2019 the entire loan amount had been drawn. Two payments had been made bringing the note balance down to \$168,112,000 as of September 30, 2019. In the event of default, the unpaid principal balance of the note, all interest accrued and unpaid thereon, and all other amounts payable under the Loan Documents shall be automatically due and payable. The Nation entered into a swap agreement with Bank of Oklahoma to synthetically fix the interest rate on the \$170 million loan. The swap agreement synthetically fixes the rate at 2.7%. The agreement covers the entire 15-year term. There are potential gains and losses associated with the swap agreement should Cherokee Nation choose an early payoff on the loan. The note is a general obligation of the Nation. See Note 10 for additional details.

The construction of the outpatient health facility in Tahlequah, Oklahoma, owned by the Nation, was constructed as part of a Joint Venture Construction Program Agreement (JCVP) between the Nation and the Indian Health Service (IHS), Department of Health and Human Services dated February 25, 2016. The Nation planned, designed, constructed, equipped, leases and operates the outpatient health facility according to IHS specifications. The IHS provides funds to staff the facility in accordance with the joint venture agreement and the self governance compact. The JCVP agreement provides that the Nation is responsible for constructing the outpatient health facility. Upon completion of the outpatient health facility, the IHS entered into a “no-cost lease” with the Nation. The no-cost lease is not intended to convey any real property interest in the outpatient health facility or the land it is located on but rather, the IHS is merely providing the funding for staffing the outpatient health facility. Pursuant to the terms of the JCVP Agreement, the Self Governance Compact and the no-cost lease, the Nation will be the sole operator of the outpatient health facility and all employees of the outpatient health facility will be employees of the Nation. The IHS will not directly provide services at the outpatient health facility. IHS funding for the operation of the outpatient health facility will be provided to the Nation through the Funding Agreements.

The balance of long-term debt, including capital leases, for business-type activities at September 30, 2019 was \$1,231,000. The balance of long-term debt for Component Units at September 30, 2019 was \$56,876,000. Long-term debt, including capital leases, in the business-type activities and component units at September 30, 2019 consisted of the following shown below and on the following pages (dollars in thousands):

| <u>Business-type Activities</u> | <u>Balance,</u> <u>September 30,</u> | | | <u>Balance,</u> <u>September 30,</u> | | | <u>Current</u> | <u>Long-Term</u> |
|--|---|------------------|-------------------|---|----------------|----------------|----------------|------------------|
| | <u>2018</u> | <u>Additions</u> | <u>Reductions</u> | <u>2019</u> | <u>Portion</u> | <u>Portion</u> | | |
| Title VI Loan Fund | | | | | | | | |
| Note payable to bank in fixed principal payments. See (3) below. | \$ 465 | \$ - | \$ (465) | \$ - | \$ - | \$ - | \$ - | \$ - |
| Economic Development Trust Authority | | | | | | | | |
| Notes payable to the Department of Agriculture in variable annual installments including interest of 1% annual, with final payment due August 2034. See (4) below. | 934 | - | (65) | 869 | 66 | - | - | 803 |
| CN Sanitary Landfill | | | | | | | | |
| Capital lease to Welch State Bank with fixed payments. Interest rate 1.99%, with final payment due April 2021. See (5) below. | 584 | - | (222) | 362 | 227 | - | - | 135 |
| Total long-term debt | <u>\$ 1,983</u> | <u>\$ -</u> | <u>\$ (752)</u> | <u>\$ 1,231</u> | <u>\$ 293</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 938</u> |

(3) In July 2002, the Nation entered into a \$50,000,000 loan agreement, 95% guaranteed by United States Department of Housing and Urban Development. The loan proceeds were divided into two separate “pools” which carry different interest rates over the life of the loan. Pool A was paid off in July 2013. Pool B was paid off in February 2019.

(4) These direct borrowing notes are secured with collateral of the Intermediary Revolving Fund and the Intermediary Relending Program (IRP). In the event of default, USDA may declare the notes immediately due and payable.

(5) The capital lease is a direct borrowing lease secured by the equipment covered in the lease. In the event of default, the lease may be declared immediately due and payable.

| <u>Component Units</u> | <u>Balance,</u> <u>September 30,</u> | | | <u>Balance,</u> <u>September 30,</u> | | |
|--|---|------------------|-------------------|---|------------------------|--------------------------|
| | <u>2018</u> | <u>Additions</u> | <u>Reductions</u> | <u>2019</u> | <u>Current Portion</u> | <u>Long-Term Portion</u> |
| Housing Authority of the Cherokee Nation (HACN) | | | | | | |
| ..Note payable to Cherokee Nation in fixed monthly principal payments of \$100 with interest calculated on the outstanding balance each month. See (6) below. | \$ 465 | \$ - | \$ (465) | \$ - | \$ - | \$ - |
| Note payable to bank in fixed monthly payments of \$1 including principal and interest. Interest calculated at 6.75% annual with final final payment due February 2021. See (7) below. | 36 | - | (16) | 20 | 15 | 5 |
| Assumable Mortgage Program (*AMP*) - loans for use in the purchase of homes provided to program participants. Interest rates vary from 4% to 7.125% and are payable in monthly installments over thirty (30) years. See (8) below. | 55,871 | 996 | (1,704) | 55,163 | 1,102 | 54,061 |
| Cherokee Health Partners, LLC (CHP) | | | | | | |
| 2.99% note payable, due in monthly installments of \$10 including interest, thorough February 2022, secured by equipment. See (9) below. | 400 | - | (105) | 295 | 120 | 175 |
| 3.5% note payable, due in monthly installments of \$18 including interest, thorough December 2019, secured by equipment. See (9) below. | 319 | - | (211) | 108 | 108 | - |
| 3.85% note payable, due in monthly installments of \$7 including interest, through March 2029, secured by equipment. See (9) below. | - | 662 | - | 662 | 45 | 617 |
| Cherokee Nation Home Health Service (CNHHS) | | | | | | |
| Bank note payable dated June 7, 2006 in the original amount of \$371 has monthly payments of \$3, including interest at 5.5% and matures June 7, 2022, secured by a building and land. See (10) below. | 196 | - | (21) | 175 | 22 | 153 |
| Capital lease for buildings and equipment at an interest rate of 2.05%. See (11) below. | 162 | 33 | (63) | 132 | 53 | 79 |
| Line of credit. See (12) below. | 278 | - | (30) | 248 | 31 | 217 |
| Cherokee National Historical Society, Inc (CNHS) | | | | | | |
| Bank note payable dated August 12, 2015 in the original amount of \$92 with a balloon payment due August 15, 2020. Interest rate is variable at 1.8 percentage points above the LIBOR rate. See (13) below. | 81 | - | (8) | 73 | 5 | 68 |
| Total long-term debt | <u>\$ 57,808</u> | <u>\$ 1,691</u> | <u>\$ (2,623)</u> | <u>\$ 56,876</u> | <u>\$ 1,501</u> | <u>\$ 55,375</u> |

(6) HACN, during fiscal year 2018, did not receive any loan advances for the Title VI program. This resulted in a cumulative amount of funds drawn on the available loan funds of \$33,231,000. The loan was divided into two separate “pools” which carry different interest rates over the life of the loan. Pool A was paid off as of September 30, 2013. Pool B was paid off in February 2019.

(7) During fiscal year 2006, HACN direct borrowed \$152,000 for its costs related to the Claremore QuadPlex project. The loan is repaid in monthly payments of \$1,300 including principal and interest and began on February 1, 2006. The loan carries an interest rate of 6.75%. The final payment will be made on

February 1, 2021. At September 30, 2019 the loan balance was \$20,000. In the event of default, outstanding amounts become immediately due and payable.

(8) During fiscal year 2007, HACN began its Assumable Mortgage Program. In fiscal year 2019, HACN direct borrowed \$996,000 in new loans for use in the purchase or construction of 749 total homes provided to program participants. Interest rates on the loans vary from 4% to 7.125% and are payable in monthly installments over thirty years. At September 30, 2019, the loan balance was \$55,163,000. In the event of default, outstanding amounts become immediately due and payable.

(9) CHP's outstanding notes payable to THA from direct borrowings are secured by the equipment collateralized by the notes. In the event of default, outstanding amounts become immediately due and payable.

(10) CNHHS renewed a promissory note and security agreement with a bank in June 2006 totaling \$371,000 with monthly payments of \$3,000, including interest at 7%, and an original maturity date of June 7, 2009. During 2009, the note agreement was extended an additional 35 monthly payments of \$3,000, including interest at 7.0% and a balloon payment of all outstanding principal and interest due June 7, 2012. During 2012, the note agreement was extended an additional 59 monthly payments of \$3,000, including interest at 5.25% and a balloon payment of all outstanding principal and interest due June 7, 2017. During 2017, the note agreement was extended an additional 59 monthly payments of \$3,000 including interest at 5.50% and a balloon payment of all outstanding principal and interest due June 7, 2022. The purpose of the note was to finance the construction of a new office building, completed in March 2006. The direct borrowing note payable is secured by a building, land and certain bank accounts. Amount outstanding at September 30, 2019 was \$175,000. In the event of default, outstanding amounts become immediately due and payable.

(11) CNHHS is obligated under direct borrowing leases for equipment that is accounted for as capital leases. In the event of default, outstanding amounts become immediately due and payable.

(12) CNHHS's line of credit is secured by the full faith and credit of the Nation under a limited waiver of sovereign immunity. In the event of default, outstanding amounts become immediately due and payable.

(13) This direct borrowing note is secured by one of CNHS's investment accounts. In the event of default, outstanding amounts become immediately due and payable.

The Nation, with approval of the Tribal Council, has approved limited waivers of sovereign immunity in connection with various debt incurred by the Nation.

Maturities of long-term debt for the Governmental and Business-type Activities are as follows (dollars in thousands):

| | Principal | Interest | Total |
|--------------------------|-------------------|------------------|-------------------|
| Governmental Activities: | | | |
| 2020 | 11,333 | 4,738 | 16,071 |
| 2021 | 11,333 | 4,410 | 15,743 |
| 2022 | 11,333 | 4,081 | 15,414 |
| 2023 | 134,113 | 3,752 | 137,865 |
| Total | <u>\$ 168,112</u> | <u>\$ 16,981</u> | <u>\$ 185,093</u> |

| | Principal | Interest | Total |
|---------------------------|------------------|-----------------|-----------------|
| Business-type Activities: | | | |
| 2020 | 293 | 14 | 307 |
| 2021 | 200 | 9 | 209 |
| 2022 | 66 | 8 | 74 |
| 2023 | 67 | 7 | 74 |
| 2024 | 68 | 7 | 75 |
| 2025 through 2029 | 349 | 22 | 371 |
| 2030 through 2034 | <u>188</u> | <u>6</u> | <u>194</u> |
| Total | <u>\$ 1,231</u> | <u>\$ 73</u> | <u>\$ 1,304</u> |

Maturities of long-term debt for the Component Units are as follows (dollars in thousands):

| | Principal | Interest | Total |
|-------------------|------------------|------------------|------------------|
| Component Units: | | | |
| 2020 | 1,501 | 2,443 | 3,944 |
| 2021 | 1,673 | 2,396 | 4,069 |
| 2022 | 1,496 | 2,325 | 3,821 |
| 2023 | 1,328 | 2,266 | 3,594 |
| 2024 | 1,386 | 2,210 | 3,596 |
| 2025 through 2029 | 7,858 | 10,112 | 17,970 |
| 2030 through 2034 | 9,355 | 8,267 | 17,622 |
| 2035 through 2039 | 11,647 | 5,965 | 17,612 |
| 2040 through 2044 | 14,326 | 3,115 | 17,441 |
| 2045 through 2049 | <u>6,306</u> | <u>408</u> | <u>6,714</u> |
| Total | <u>\$ 56,876</u> | <u>\$ 39,507</u> | <u>\$ 96,383</u> |

9. COMPENSATED ABSENCES

Compensated absence liabilities are generally liquidated by the Fringe Pool Internal Service Fund, which allocates to and collects from other funds and/or departments within the Nation. Compensated absences are considered due within one year since historically the following year payment has exceeded the liability. The Nation provides paid sick and vacation leave to all regular full-time and part-time employees on a biweekly pay period. Leave may not be taken in advance of being earned and accrued. Sick leave is earned at the rate of four hours per pay period for regular full-time employees and two hours per pay period for regular part-time employees. Sick leave may be accrued to 1,040 hours. Unused sick leave will not be paid at the time of voluntary or involuntary termination of employment. Vacation leave is earned based on a pay count (number of checks) as follows on the next page:

Pay Count**Annual Leave Earned****Regular Full-Time****Regular Part-Time**

| | | |
|--------------------------|------------------------|------------------------|
| 1 to 78 pay checks | 4 hours per pay period | 2 hours per pay period |
| 79 to 260 pay checks | 6 hours per pay period | 3 hours per pay period |
| 261 and above pay checks | 8 hours per pay period | 4 hours per pay period |

Vacation leave may be accrued to a maximum of 240 hours. Once the 240 hours maximum balance is reached, the employee discontinues accruing until the number falls below 240 hours. Any employee who is separated from the job by layoff, resignation, termination or retirement shall have unused accrued annual leave paid in their last check. Changes in the reported liability follow (dollars in thousands):

| Fiscal Year | Balance at Beginning of Year | Leave Earned | Leave Used | Balance at End of Year |
|--------------------|-------------------------------------|---------------------|-------------------|-------------------------------|
| 2017 | \$7,376 | \$12,276 | (\$11,888) | \$7,764 |
| 2018 | \$7,764 | \$12,767 | (\$12,238) | \$8,293 |
| 2019 | \$8,293 | \$14,102 | (\$13,567) | \$8,828 |

The claims above are expected to be paid from currently available financial resources and are included in the accompanying Proprietary Funds Statement of Net Position in the Governmental Activities – Internal Service Funds.

10. INTEREST RATE SWAP AGREEMENTS

In connection with the issuance of a \$170,000,000 note payable (see (2) in footnote 8 on page 67 - 68), the Nation also entered into an interest rate swap agreement with Bank of Oklahoma. Details of the agreement are as follows:

Objective of the Interest Rate Swap

The Nation's asset/liability strategy is to have a mixture of fixed- and variable-rate debt to take advantage of market fluctuations. As a strategy to maintain acceptable levels of exposure to the risk of changes in future cash flows due to interest rate fluctuations and to lower its borrowing costs when compared against fixed-rate debt at the time of issuance, the Nation entered into an interest rate swap agreement for its tax-exempt long-term note payable with a financial institution. The intention of the swap is to effectively change the Nation's variable interest rate portion on this note to a synthetic fixed rate of 1.20%.

Terms

The agreement was entered into on September 12, 2016, is scheduled to end on August 26, 2031 and required no initial net cash receipt or payment by the Nation. The agreement provides for the Nation to receive interest from the counterparty at 70% of the London Interbank Offering Rate (LIBOR) and to pay interest to the counterparty at a fixed rate of 1.20% on a notional amount of \$168,112,000 at September 30, 2019. The notional amount of the swap and the principal amount of the associated debt were equal at inception of the swap, and the notional amount declines each month by a corresponding amount of the debt balance each time a principal payment becomes due. Under the agreement, the Nation pays or receives the net interest amount monthly, with the monthly settlements included in interest expense.

Fair Value

As of September 30, 2019, the agreement had a negative fair value of \$2,297,000 calculated using the par-value method, *i.e.*, the fixed rate on the swap was compared with the current fixed rates that could be

achieved in the marketplace should the swap be unwound. The fixed-rate component was valued by discounting the fixed-rate cash flows using the current yield to maturity of a comparable note. The variable-rate component was assumed to be at par value because the interest rate resets to the market rate at every reset date. The fair value was then calculated by subtracting the estimated market value of the fixed component from the established market value of the variable component. The fair value of the swap of \$2,297,000 is shown as a derivative investment – rate swap liability on the Statement of Net Position, with the offset recorded as a deferred outflow in the Nation’s government-wide Statement of Net Position as the hedging relationship is effective.

Credit Risk

The swap’s fair value represented the Nation’s credit exposure to the counterparty as of September 30, 2019. Should the counterparty to this transaction fail to perform according to the terms of the swap agreement, the Nation has a maximum possible loss equivalent to the swap’s fair value at that date. As of September 30, 2019, the Nation was not exposed to credit risk because the swap had a negative fair value. The swap counterparty was rated A by Fitch Ratings, BBB+ by Standard & Poor’s and A3 by Moody’s Investors Service as of September 30, 2019. The Nation does not currently have a policy of requiring the counterparty to post collateral in the event the Nation becomes exposed to credit risk. The Nation does not currently have a policy requiring a master netting agreement with the counterparty and does not currently have such an agreement in place.

Basis Risk

The swap exposes the Nation to basis risk should the relationship between LIBOR and the prime rate set by the Nation’s lender change in a manner adverse to the Nation. If an adverse change occurs in the relationship between these rates, the expected cost savings may not be realized.

Termination Risk

The Nation or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable-rate portion of the notes would no longer have a synthetic fixed rate of interest. Also, if the swap has a negative fair value at the time of termination, the Nation would be liable to the counterparty for a payment equal to the swap’s then fair value.

Swap Payments and Associated Debt

Using rates as of September 30, 2019, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term are set forth in the table on the following page. As rates vary, variable-rate interest payments and net swap payments will vary. The Nation has hedged 80% of the total \$170,000,000 of authorized debt (See Note 8).

| | Variable-Rate Note | | Interest Rate Swap, Net | Total |
|-------------|---------------------------|---------------------|--|----------------------|
| | Principal | Interest | | |
| 2020 | \$11,333,000 | \$4,822,000 | \$349,000 | \$16,504,000 |
| 2021 | 11,333,000 | 4,474,000 | 324,000 | 16,131,000 |
| 2022 | 11,333,000 | 4,140,000 | 300,000 | 15,773,000 |
| 2023 | 11,334,000 | 3,825,000 | 277,000 | 15,436,000 |
| 2024 | 11,334,000 | 3,461,000 | 251,000 | 15,046,000 |
| 2025 – 2031 | 78,389,000 | 14,841,000 | 1,076,000 | 94,306,000 |
| | <u>\$135,056,000</u> | <u>\$35,563,000</u> | <u>\$2,577,000</u> | <u>\$173,196,000</u> |

11. LINES OF CREDIT

The Nation has a \$5,000,000 line of credit with Bank of America that has no outstanding borrowings as of September 30, 2019. The current line of credit with Bank of America carries a floating rate equal to the LIBOR Daily Floating Rate plus 150 basis points. The cost associated with maintaining this Line of Credit agreement for fiscal year 2019 was \$13,000. The agreement was extended during fiscal year 2018 and is set to expire on September 30, 2020, unless extended. Pursuant to LA 28-04 which amended LA 05-02, The Fiscal Policy and Responsibility Act, authorized this line of credit to be utilized in satisfying the permanent Cash Reserve required by the Act, and to permanently provide for operating cash needs of the Nation. In the event of default, any outstanding borrowings on the line of credit will be immediately due and payable.

On July 19, 2013, CNB entered into a \$100,000,000 revolving credit agreement. On November 6, 2017, CNB entered into an amendment to the revolving credit agreement, increasing the line of credit to \$150,000,000. The other terms of the agreement remain substantially unchanged. CNE and its blended component units guarantee the credit facility. In addition, the agreement is collateralized by CNE's cash flows and substantially all of CNE's assets. The credit agreement includes a \$20,000,000 letter of credit arrangement. The agreement bears interest at the one-month LIBOR plus 1.20%. The credit agreement has quarterly unused commitment fees ranging from 0.25% to 0.30%, determined by the outstanding loan balance. CNB had no outstanding borrowings at September 30, 2019. CNB had letters of credit outstanding totaling \$29,000 at September 30, 2019. CNB's availability under this revolving credit facility was \$149,971,000 at September 30, 2019.

On January 10, 2020, CNB entered into an amendment to the line of credit increasing the amount to \$300,000,000 and extending the maturity date for five years. The interest rate above LIBOR will range from 1.0% to 1.6%, depending on the leverage ratio. WRD will no longer guarantee the credit facility.

Both CNB and CNE, as borrower and guarantor, respectively, are subject to various reporting and financial covenants, including a requirement to provide separate stand-alone audited financial statements for both entities. The revolving credit agreement also contains provisions that, in an event of a default, allow the lender to accelerate payments of the entire principal amount, if any, to be immediately due and payable.

CNHHS obtained a line of credit on March 25, 2011. The initial draw was used to pay off all the outstanding lines of credit at that date. This line of credit bears interest payable monthly at a fixed rate of 4.50% and is secured by the full faith and credit of the Nation under a limited waiver of sovereign immunity. This line of credit was renewed in March 2016 through March 2021. The balance of the line of credit for the year ended September 30, 2019 was \$248,000. In the event of default, outstanding amounts become immediately due and payable.

12. TRUST LIABILITIES

The HACN has several lease-to-own homebuyer programs wherein the tenant/homebuyer may eventually purchase the house in accordance with contractual agreements. These transactions are similar to a financing lease, however are not accounted for as such as the amount and ability to collect the minimum lease payments is not predictable. Until the time of transfer, these homes remain the property of the HACN. The costs of those units are depreciated over the expected term of payoff at the time of the original agreement, generally 25 years. When the home is paid off in accordance with the agreements and title is transferred to the homebuyer, a gain or loss is recognized by HACN. For the year ended September 30, 2019, a gain of \$104,000 was recorded in connection with such transfers and is reported as other, net nonoperating revenues (expenses) on the combining statement of revenues, expenses and changes in net position – component units.

The HACN trust liabilities reflected in the accompanying financial statements primarily include a liability for funds that have been received from the tenants or homebuyers in the various lease-to-own programs. These funds are held in a trust type account to be applied to various uses, depending on the agreement with the tenant/homebuyer. The largest of the amounts included in this category are for accounts attributable to the New Mutual Help Housing Program wherein the tenant/homebuyers are credited with a portion of the funds that they have contributed as well as other amounts credited to them in accordance with HUD requirements and program policies. Under the provisions of mutual help occupancy agreements, tenant/homebuyers are required to make payments based on the family or household income. After deducting an administrative fee as set forth by HUD, the remaining balance is credited to the participant's equity payment account (MEPA). The balance of the MEPA accounts, which are being held by HACN on behalf of the New Mutual Help homebuyers, was \$2,369,000 as of September 30, 2019. This along with other credits to these tenant/homebuyers totaled \$2,674,000 at September 30, 2019. Although these funds will generally be retained by HACN upon the transfer of home ownership to the tenant/homeowner, they are presented as a liability until then because the funds are effectively owned by the tenant/homeowner. Upon transfer of the home to the tenant/homeowner the funds will be considered revenue and applied to the carrying value of the related home and a gain or loss will be recorded by HACN.

Additionally, at September 30, 2019, other amounts included in this category include escrow deposits held by the HACN associated with the Title VI program mortgages totaling \$8,000, and low income housing tenants' security deposits of \$28,000.

13. FUND BALANCE CLASSIFICATION

The details for the Nation's fund balances presented in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* as of September 30, 2019 are as shown on the page following (dollars in thousands):

| | Major Special Revenue Funds | | | | | | Total Governmental Funds |
|--|--------------------------------|-----------------|----------------------------|-----------------------------------|-----------------------------|-----------------------------------|--------------------------------|
| | General Fund | PL 102-477 | Self Governance DHHS | Housing & Urban Development | Capital Projects Fund | Nonmajor Governmental Funds | |
| Fund balances: | | | | | | | |
| Nonspendable: | | | | | | | |
| Inventory & other assets | \$ 7 | \$ - | \$ 13,837 | \$ - | \$ - | \$ - | \$ 13,844 |
| Permanent fund principal | - | - | - | - | - | 425 | 425 |
| Restricted for: | | | | | | | |
| Federal, State and Private Grants | - | 1,530 | 95,969 | 2,126 | - | 22,478 | 122,103 |
| Education, Health, Roads, Safety (MFT) | 58,457 | - | - | - | - | - | 58,457 |
| Education (MVT) | 6,903 | - | - | - | - | - | 6,903 |
| Roads (MVT) | 9,502 | - | - | - | - | - | 9,502 |
| Law Enforcement (MVT) | 764 | - | - | - | - | - | 764 |
| Committed for: | | | | | | | |
| Contract Health Services | 3,120 | - | - | - | - | - | 3,120 |
| Land Acquisitions | 4,165 | - | - | - | - | - | 4,165 |
| Heart of the Nation | 33 | - | - | - | - | - | 33 |
| Job Training and Tuition | 194 | - | - | - | - | - | 194 |
| Student activities | 199 | - | - | - | - | - | 199 |
| Substance Abuse Treatment | 20 | - | - | - | - | - | 20 |
| TERO Job Training Programs | 555 | - | - | - | - | - | 555 |
| Emergency Reserve Fund | 5,942 | - | - | - | - | - | 5,942 |
| Assigned to: | | | | | | | |
| Budgetary Resources for Subsequent Year | 12,461 | - | - | - | - | - | 12,461 |
| Capital Projects | - | - | - | - | 12,441 | - | 12,441 |
| Unassigned:* | <u>34,126</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>34,126</u> |
| Total fund balances | <u>\$ 136,448</u> | <u>\$ 1,530</u> | <u>\$ 109,806</u> | <u>\$ 2,126</u> | <u>\$ 12,441</u> | <u>\$ 22,903</u> | <u>\$ 285,254</u> |

* Legislative Act (LA) 05-02 established a cash reserve in the amount of 1.75% of the original operating budget of each fiscal year to use as a stabilization fund. LA 28-04 amended LA 05-02 and established a \$5,000,000 Line of Credit as part of the 1.75% reserve. The legislative acts do not commit specific uses of the reserve; therefore the balance is shown as unassigned. For the current fiscal year \$6,984,000 of the unassigned fund balance was set aside to meet the \$11,984,000 reserve. For Fiscal Year 2020, the reserve has been increased by \$2,159,000 for a reserve balance of \$14,143,000.

14. LANDFILL CLOSURE/POSTCLOSURE CARE COSTS & OTHER LANDFILL MATTERS

The Nation owns a solid waste landfill in eastern Oklahoma. The Nation accounts for the landfill closure/postclosure in accordance with the provisions of GASB Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*, in the CN Sanitary Landfill Fund, a nonmajor enterprise fund.

Federal regulations will require the Nation to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will only be paid near or after the date the landfill stops accepting waste, GASB Statement No. 18 requires proprietary funds, such as Landfill Closure, to report a portion of these costs as an operating expense in each period based on landfill capacity and utilization. The \$3,827,000 reported as Landfill Closure and Postclosure Care Liability at September 30, 2019 (included in other noncurrent liabilities), represents the cumulative costs recognized to date based on the existing use of 43% of the total estimated capacity of the landfill. Landfill Closure will recognize the remaining estimated cost of closure and postclosure care of approximately \$5,046,000 as the remaining estimated capacity is filled. These estimated closure amounts are based on what it would cost to perform all closure and postclosure care in 2019. Actual costs may be higher due to inflation, changes in technology, or changes

in regulations. The Nation expects the landfill to have a remaining life of approximately 8.0 million cubic yards. Actual remaining years of operation is dependent upon several factors including the volume of waste accepted on an annual basis.

Landfill closure liability activity for the year ended September 30, 2019 was as follows (dollars in thousands):

| | <u>Balance,</u> <u>September 30,</u> <u>2018</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance,</u> <u>September 30,</u> <u>2019</u> | <u>Current</u> <u>Portion</u> | <u>Long-Term</u> <u>Portion</u> |
|----------------------------------|--|------------------|-------------------|--|----------------------------------|------------------------------------|
| Landfill closure liability | 3,462 | 365 | - | 3,827 | - | 3,827 |
| Total landfill closure liability | <u>\$ 3,462</u> | <u>\$ 365</u> | <u>\$ -</u> | <u>\$ 3,827</u> | <u>\$ -</u> | <u>\$ 3,827</u> |

The Nation makes annual contributions to a restricted bank account to finance closure and postclosure care. At September 30, 2019, restricted cash, cash equivalents and investments of approximately \$3,505,000 were held for these purposes. The Nation expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional postclosure care requirements are necessary (due to changes in technology or applicable laws or regulations, for example), such costs may need to be funded by charges to future landfill users or other revenue sources.

No closure/postclosure liability has been reported by the Nation at September 30, 2019 for this landfill in its governmental funds because of the long-term nature of the liability.

15. RISK MANAGEMENT AND SELF-INSURED HEALTH PLANS

The Nation manages its risk exposures through risk retention and the purchase of insurance. In the area of health benefits, the Nation utilizes a modified self-insured program with a third party administrator. Claims for benefits are paid by the Nation to a level of \$250,000 per year per person. Amounts over \$250,000 per person are subject to reimbursement by the insurance company.

The Nation is self-insured against employee dental and short-term disability claims incurred under its employee group dental and group disability plan. Significant insurable exposures other than health, dental, and short-term disability claims are covered by commercial insurance. For insured exposures, there were no significant reductions in insurance coverage during the year ended September 30, 2019. Additionally, settlement amounts have not been in excess of insurance coverage in each of the past three years.

The Nation's reported employee health claims liability of \$3,582,000 at September 30, 2019, has been recorded in accordance with GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

The claims liability has been estimated based upon historical claims experience. The Nation believes that this method of estimating the liability is sufficient to determine the amount of open claims and to provide for claims that have been incurred but not reported (IBNR). Changes in the reported liability follows on the next page (dollars in thousands):

| Fiscal Year | Balance at Beginning of Year | Claims and Changes in Estimates | Claim Payments | Balance at End of Year |
|--------------------|-------------------------------------|--|-----------------------|-------------------------------|
| 2017 | \$3,525 | \$33,412 | (\$34,652) | \$2,285 |
| 2018 | \$2,285 | \$37,664 | (\$36,121) | \$3,828 |
| 2019 | \$3,828 | \$34,641 | (\$34,887) | \$3,582 |

The claims above are expected to be paid from currently available financial resources and are included in Governmental Activities – Internal Services Funds in the accompanying Proprietary Funds Statement of Net Position, as other current liabilities.

Workers’ Compensation benefits are provided within the All Lines Aggregate (ALA) program and comply with our Tribal Workers’ Compensation Act (TWCA). There is a \$100,000 retention on each claim. The maximum benefit was increased to \$10,000,000 per person/per claim for compensation and other benefits which is equal to the amount CNB/CNE carries; and is in agreement with our Employers Liability limit which remains at \$10,000,000 per person/claim.

The first \$100,000 of risk is retained on all coverage lines within the All Lines Aggregate (ALA) program with the exception of a \$100,000 deductible on Tribal Officials Errors and Omissions Coverage. The ALA program responds to losses over the \$100,000 retention/deductible level. A Stop Loss equivalent to 1.8% of payroll is in place to limit the Nation’s exposure. Program design also includes *Clash Coverage* which further limits the Nation’s exposure by applying only one \$100,000 retention per insured incident regardless of the number of coverage lines that may apply arising out of a single Occurrence. Coverage provided by the ALA program includes the following liability coverage on a \$10,000,000 per occurrence basis: Comprehensive General Liability, Products/Completed operations including but not limited to Contractual Liability, Special Events Liability, Sexual Misconduct Liability, Cemetery Malpractice, Law Enforcement Professional Liability, Medical Malpractice including Hospital/Clinic Malpractice, Host and/or Liquor Liability, Innkeepers Liability, Automobile Liability including Non-Owned Automobile Liability, Auto Medical Payments, Uninsured and Underinsured Motorist, Automobile Physical Damage, Garage Keeper’s Legal Liability and Valet Parking. The following coverage lines are provided on a Claims-made basis with a limit of \$10,000,000 each occurrence and in the Aggregate: Tribal Officials Liability, Miscellaneous Professional Errors and Omissions Liability, Employee Benefit Liability, and Employment Practices Liability. Retroactive date of October 1, 2003 applies to all coverage lines within this class.

A \$15,000,000 Umbrella (Excess) liability policy continues to be maintained and follows form of underlying coverage to provide a \$25,000,000 liability limit. An additional layer of excess liability coverage was purchased with a limit of \$100,000,000. This brings the Nation’s ALA limit to \$125,000,000. The basic Fiduciary Liability policy was increased to \$5,000,000; an additional \$5,000,000 x of (excess of) \$5,000,000 policy was purchased as was a \$5,000,000 x of (excess of) \$10,000,000 policy to bring our Fiduciary Liability limit to \$15,000,000.

A DRONE Liability policy was added with a \$5,000,000 limit of liability.

Cherokee Nation Foundation was added as a named insured on the Property & Casualty (ALA) insurance program.

The Earthquake limit on the Commercial Property policy is \$5,000,000; and the Flood limit is \$10,000,000. It should be noted that the commercial property losses are included in the Stop Loss. Also, under the Commercial Property policy Course of Construction limit remains at \$25,000,000; E-Commerce Liability limit is \$2,000,000; and a new endorsement for \$1,000,000 in Active Assailant coverage was added. Cyber

Liability remains in effect with a \$10,000,000 limit and an applicable \$100,000 retention applies. A separate Pollution Liability policy provides a \$25,000,000 Limit with \$75,000 retention per contamination. A Crime policy is maintained providing a \$1,000,000 per occurrence loss limit with a lower deductible of \$10,000. An Owners Protective Professional Indemnity Policy (OPPI) continues to be provided for the New Tahlequah Health Center providing a \$10,000,000 combined Aggregate limit; and, includes a 10-Year Extended Reporting Period.

Effective January 1, 2019, the Service Contract Act and Davis-Bacon Act employees were offered self-funded medical and dental plans and participate in similar plans as other blended component unit employees. Prior to January 1, 2019, in order to comply with the Service Contract Act and Davis-Bacon Act contracts, a fully-insured benefits package was offered in 2018. The third-party administrator, The Boon Group, managed the trust. CNB provided monthly accounting of the hours worked and made contributions to The Boon Group. The benefits package was a take all or nothing arrangement.

CNB provides employee health coverage under two separate self-insured group health plans covering different groups of employees. The maximum liability per participant per plan year is \$300,000. Any claims in excess of these limits are covered by stop-loss insurance. Self-insurance liabilities are estimated based on claims experience and are included in accounts payable and accrued liabilities in the accompanying statements of net position. Additionally, CNB provides fully-insured health and welfare benefits for certain employees overseas. Information concerning the changes in the CNB self-insurance medical liability reported as accounts payable and accrued liabilities in CNB's statement of net position follows (dollars in thousands):

| Fiscal Year | Balance at Beginning of Year | Claims and Changes in Estimates | Claim Payments | Balance at End of Year |
|--------------------|-------------------------------------|--|-----------------------|-------------------------------|
| 2017 | \$4,553 | \$49,149 | (\$48,818) | \$4,884 |
| 2018 | \$4,884 | \$45,990 | (\$46,134) | \$4,740 |
| 2019 | \$4,740 | \$51,033 | (\$51,033) | \$4,740 |

16. EMPLOYEE RETIREMENT PLAN

The following brief descriptions of the Nation's retirement plans are provided for general information purposes only. Participants should refer to the applicable plan documents for more complete information. The Nation sponsors a defined contribution 401(a) plan, which utilizes Lincoln Financial Group Trust Company, Inc., as custodian and the Cherokee Nation Pension Committee as trustee. A defined contribution plan provides retirement benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined. Under a defined contribution plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account. All regular full-time and regular part-time employees who have attained at least 18 years of age are eligible to participate in the plan upon employment. The plan year is January 1 through December 31. Participants become fully vested after four years of participation in the plan. Employees may contribute from 1% to 50% of their gross salary, and after 6 months of service the Nation will match 100% for the first 5% and 50% of the next 4%. The plan is administered by the Director of Human Resources, with input from the Nation's Pension Committee. The Pension Committee consists of the plan administrator and employees of the Nation. The plan administrator is responsible for amending the plans' provisions, including contribution requirements.

The Nation’s primary government’s total gross payroll for fiscal year 2019 was approximately \$194,741,000, which included approximately \$192,879,000 for employees covered by the plan. Contributions to the 401(a) plan for 2019 were approximately \$16,473,000. Contributions expressed in dollars and percent of covered payroll were: Nation \$6,931,000, 3.6% and participants \$9,542,000, 4.9%.

The Nation’s required contribution and percentage of contribution for fiscal year 2019 and the two preceding years follows:

Trend Information
(dollars in thousands)

| <u>Fiscal Year</u> | <u>Required Contribution</u> | <u>Percentage Contribution</u> |
|--------------------|----------------------------------|------------------------------------|
| 2017 | \$6,130 | 100% |
| 2018 | \$6,383 | 100% |
| 2019 | \$6,931 | 100% |

The Cherokee Nation Elected and Appointed Official’s 401(k) Plan and Trust is a qualified defined contribution plan established by the Nation for the benefit of the Nation’s eligible elected and appointed officials. This plan is intended to constitute a qualified profit sharing plan within the meaning of Code Section 401(a), and all regulations issued under the Code (the “Regulations”), to the extent applicable to a governmental plan. This plan does not elect to be subject to provisions of the Code that are not applicable to a governmental plan nor, unless specifically provided, to any of the provisions of the Employee Retirement Income Security Act of 1974. Contributions to the CN Elected and Appointed Official’s 401(k) plan for 2019 were \$273,000 of which \$88,000 was required and made by the Nation and \$185,000 was made by participants.

CNB employees are eligible to participate in various 401(k) savings plans as follows:

The Cherokee Nation Businesses, LLC 401(k) Plan (the Plan) allows full-time employees of CNB and certain component units who have 60 days of service and are at least 21 years of age to participate in the Plan. Under the provisions of the Plan, participants may elect to contribute from 1% to 90% of their eligible compensation, up to the Internal Revenue Service annual limit, for which CNB and these component units will match 100% of the first 6% contributed. During 2019 participating employees contributed approximately \$22,499,000 with employer-matching contributions of approximately \$16,351,000 to the Plan.

The Cherokee Nation Services 401(k) Plan covers substantially all full-time employees of Cherokee Nation Health Services. This 401(k) plan provides for no matching contributions.

The Cherokee Nation Government Solutions, LLC 401(k) Plan covers full-time employees, who are at least age 21, of CNTS, CNM&C and CNDI. This 401(k) plan provides for a 50% match of the first 4% of employee contributions. Employer contributions to this 401(k) plan were not made in 2019.

Effective January 1, 2019, the Cherokee Nation Services 401(k) Plan and Cherokee Nation Government Solutions, LLC 401(k) Plan were merged into the Cherokee Nation Businesses, LLC 401(k) Plan.

At September 30, 2019 liabilities under deferred compensation and long-term incentive compensation arrangements for executives of CNB and its component units totaled \$1,599,000 which has been recorded as accounts payable and accrued liabilities. In early 2019, a long-term incentive payout occurred.

CNCCA has adopted a 401(k) retirement plan for its employees. Employees are eligible to participate beginning six months from the date of employment, with a minimum of 1,000 hours of service. Employees may contribute up to 50% of their compensation to the plan subject to maximum contributions established by the IRS. CNCCA makes matching contributions up to 3% of an eligible employee's annual compensation. Employer contributions to the plan fully vest after three years of participation. CNCCA's total contributions for the year ended September 30, 2019 were approximately \$63,000. The plan also has a profit sharing provision. The amount of the profit sharing contribution is at the discretion of the board of CNCCA. Profit sharing contributions are fully vested after three years of participation. CNCCA made no profit sharing contributions for the year ended September 30, 2019.

CNHHS has a defined contribution plan covering substantially all employees. Pension expense is recorded for the amount of CNHHS's required contributions, determined in accordance with the terms of the plan. The plan is administered by a board of trustees appointed by CNHHS's Governing Board. The plan provides retirement and death benefits to plan members and their beneficiaries. Benefit provisions are contained in the plan document and were established and can be amended by action of CNHHS's governing body. Contribution rates for the plan members and CNHHS expressed as a percentage of covered payroll were 1.7% for 2019. Contributions made by plan members was \$41,000 and by none by CNHHS during 2019.

CNF has a defined contribution plan in the form of a simple IRA. The plan allows for employee deferrals into the plan along with a company match of 3%. During 2018, the organization contributed \$6,250 to the plan for the benefit of their employees.

17. RELATED PARTY TRANSACTIONS

The Nation requires monthly dividend payments from component units, organized under the Nation's laws, based on a percentage of net income (37% as of September 30, 2019). Dividend payments to the Nation by component units totaled \$60,734,000 (which includes an accrual of \$5,040,000) at September 30, 2019.

Cherokee Nation Businesses, LLC (CNB)

Contributions of \$6,008,000 in 2019 in support of the Cherokee Nation Gaming Commission and Cherokee Nation Marshal Services.

Contributions of \$1,217,000 in 2019 in support of various Cherokee Nation programs.

Contributions of \$1,000,000 in 2019 in support of Cherokee Nation economic development and cultural development activities.

Contributions of \$4,424,000 in 2019 for Cherokee Nation capital asset acquisitions.

CNB provides funding for cultural development activities on behalf of the Nation. These activities involve restoring Cherokee landmarks as well as engaging in campaigns to inform the public of the Nation's history and making contributions to communities within the Nation. During 2019, CNB incurred \$3,881,000 in operating and employee costs related to cultural development activities, which are included in expenses in the accompanying statements of revenues, expenses and changes in net position.

CNB operates the gift shop at the Cherokee Heritage Center. The operations of the gift shop are included in the accompanying financial statements and resulted in a net loss of \$151,000 in 2019. In addition to operating the gift shop, CNB provides marketing services for the Cherokee Heritage Center. The cost of the marketing services totaled \$244,000 for 2019 and is included in salaries and wages and other charges and services in the combining statement of revenues, expenses and changes in net position – component units.

CNE also collects a tribal tax on food and beverage, tobacco, merchandise and other retail sales, which is remitted to the Cherokee Nation Tax Commission. CNE remitted tribal taxes of \$4,094,000 in 2019. These tax collections are not recorded as revenues or expenses in the combining statement of revenues, expenses and changes in net position – component units.

CNE has entered into a management agreement with the Nation for use of land in Tahlequah to operate a convenience store. The term of the agreement is 25 years, and the agreement is renewable for an additional 25 years at the cost of \$1 per year.

During 2013, the board of directors of CNB and related entities approved the funding of up to \$100,000,000 on the Nation's medical facilities. Additional funding commitments of \$9,500,000 was added as of September 30, 2014, and \$70,000,000 as of September 30, 2019, bringing the total CNB commitment to \$179,500,000. In 2019, CNB transferred \$23,425,000 on these projects. As of September 30, 2019, CNB has transferred a total of \$77,825,000 of medical facilities to the Nation, leaving a remaining commitment of \$101,675,000 at September 30, 2019. This remaining commitment is expected to be funded in 2021.

During 2019, the board of directors for CNB and related entities approved the funding of \$30,000,000 for housing rehabilitation, creation of additional jobs in construction and related fields, improving the long-term financial and environmental sustainability of Cherokee Community Buildings and to, otherwise, provide for the welfare of the Cherokee citizens. This funding will be made directly to the Nation and is expected to take place through 2022.

The Tahlequah casino opened in April 2019. The total cost of the project was \$59,500,000.

Housing Authority of the Cherokee Nation of Oklahoma (HACN)

The HACN has recorded \$20,475,000 in grant revenue in 2019 which is the result of pass through funding from the Nation in relation to the Nation's HUD funding. Additionally, the HACN has recorded grant revenue totaling \$6,000 related to self governance funding received from the Nation for use in providing housing rehabilitation services. Also, the HACN has recorded as "Other Income" \$947,000 of non-federal funds received from the Nation for use in providing housing services.

Cherokee Health Partners, LLC (CHP)

CHP declared \$756,000 in noncash distributions to the Nation during the year ended June 30, 2019.

Cherokee National Historical Society, Inc (CNHS)

In November 2005, the Nation, CNE, and the CNHS entered into a MOA to further the parties shared mission to preserve the culture and history of the Cherokees by assigning duties to the party that can best perform those duties. Beginning in 2016, operations associated with the gift shop at the Cherokee Heritage Center were recorded in the operating results of CNB rather than CNE. CNHS remained responsible for all charitable fundraising, maintaining memberships, operating the museum and teaching the Cherokee Humanities Course. In 2019, CNB provided marketing services, including group sales, and operation of the museum store at a net cost to CNB of \$225,000.

The Nation performed all remaining operational and educational functions such as accounting, purchasing, contracts, human resources, information technology, and facilities maintenance. The MOA is renewable annually upon agreement of the entities involved. For fiscal year 2019, the Nation's general fund included operational expenses of \$839,000 for CNHS.

18. COMMITMENTS AND CONTINGENCIES

Federal Grants

In the normal course of operations, the Nation and certain of its component units receive significant federal funding from various federal agencies. The ability of the Nation to continue receiving this funding could be impacted by federal budgetary policies and practices. The grant programs are subject to audits by agents of the granting authority, the purpose of which is to insure compliance with conditions precedent with the granting of funds. Management does not believe any liability for reimbursement which may arise as the result of these audits will be material.

Construction Commitments

At September 30, 2019, the Nation had a construction project underway for the building of an outpatient health facility in Tahlequah, OK. The open commitments for that construction project at September 30, 2019 totaled \$6,345,000. These remaining costs are expected to be incurred during 2020. The construction for the new outpatient health facility in Tahlequah was substantially completed in 2019.

Other Legal Contingencies

The Nation and its component units are party to various legal proceedings, which normally occur, in governmental operations. The legal proceedings, in the opinion of management, based on available information, are not likely to have a material adverse impact on the affected funds of the Nation.

CNB Matters

CNE is licensed to conduct Class II gaming operations as well as an expanded variety of gaming as allowed under the Tribal Gaming Compact between the Nation and the State of Oklahoma and related laws. It is common in the industry to introduce new games and gaming technology that must be evaluated to determine whether such games meet the requirements of Class II gaming or the requirements of the Compact. This determination can be challenged by several parties, including, but not limited to, the gaming commissions that license the operations of the gaming facilities as well as various federal regulatory agencies and the state of Oklahoma. CNE offers electronic games which management believes are permitted under Class II gaming restrictions or the Compact; however, the permissibility and/or the classification of these games can and may be challenged by licensing and governing authorities that exercise jurisdiction over these activities.

In July 2019, the governor of the State of Oklahoma announced his position that the Compact would terminate effective December 31, 2019. The Nation and other compacted tribes objected to the governor's position and asserted the Compact "shall automatically renew" as prescribed in clause Part 15.B. of the Compact. As of the date the financial statements were available to be issued, the governor has taken no action to seek enforcement of his position on Compact termination but has maintained his position on Compact termination and alleges that Tribal Class III gaming is considered unlawful beginning January 1, 2020. On December 31, 2019, three compacting tribes (i.e., the Cherokee Nation, the Chickasaw Nation and the Choctaw Nation of Oklahoma) filed suit in federal district court to obtain a declaratory judgment regarding the "shall automatically renew" clause within the Compact. On January 22, 2020, the governor filed a response in federal court on this matter. The ultimate outcome of the litigation and its potential impact on the financial statements is uncertain at this time.

CNE has entered into long-term agreements with various local governments which call for the provision of services (police, fire, water, power, etc.) to CNE facilities. These agreements often have terms ranging from 5 to 15 years. The annual aggregate payments under these agreements are not considered material to the operations of CNE.

CNE has entered into motor fuel marketing agreements with a vendor to purchase motor fuel products for sale at the Roland Travel Plaza in Roland, Oklahoma. Total purchases under this agreement were \$3,471,000 in 2019.

In 2004, CNE acquired WRD from an unrelated party. As part of the purchase price, CNE agreed to pay an additional \$1,250,000 when, and if, the property is placed into Trust Status with the BIA and could be required to make additional payments based on the cash flows generated by the operation of the facility. These additional payments will be capitalized when, and if, made and depreciated, as applicable, over the remaining economic life of the property. No additional payments as described above have been required since the acquisition.

In November 2008, CNE entered into a licensing agreement with Hard Rock Hotel Holding, LLC and HRHH IP, LLC. Under the terms of the agreement, CNE branded its Catoosa property under the Hard Rock Hotel and Casino name effective August 2009. CNE is required to make monthly license payments based on a percentage of Catoosa property revenues, as defined in the agreement. CNE recognizes the portion of the minimum fee paid each month that exceeds the calculated amount as an intangible asset. The intangible asset is being amortized over the original 12-year life of the license agreement. In 2019, the licensing agreement was extended for an additional 10-year period ending in 2028. The minimum amount of fees paid is expensed and included in operating expense in the combining statement of revenues, expenses and changes in net position – component units. In addition to paying a license fee under the Hard Rock license agreement, CNE is also required to make annual lease payments for memorabilia displayed throughout the Catoosa facility. As a requirement to the agreement, CNE is also required to meet certain operational and capital standards. As of September 30, 2019, CNE believes it is in compliance with the agreement.

EDC has entered into an indemnification agreement in connection with its NMTC activity that subjects it to various recapture events as defined. The exposure under two of these events is limited to a multiple of fees paid to the company. There is no maximum amount for the third type of event, though it is limited to the Recapture Amount defined in the indemnity agreement.

HACN Matters

The HACN has provided a “Tax Credit Recapture Guarantee” to the Limited Partners of Jay Senior Housing, Stilwell Senior Housing, Northview Estates and the Wisdom Keepers Limited Partnerships (third party syndicators of the tax credits) should the IRS disallow the use of any of the tax credits being marketed to third party investors by the Limited Partners. The aggregate tax credits provided through these partnerships was approximately \$13,600,000. The HACN has also provided an “Operating Deficit Guarantee” which would require the Housing Authority to provide capital for operations should the need arise. To date, the HACN has not been required to provide any “Deficit Guarantee” funding, and management of the HACN does not believe funding for Deficit Guarantee or Tax Credit Recapture will be required in the future.

Loan Guarantees

The Nation approved loan guarantee for CNHHS up to \$786,000.

19. SUBSEQUENT EVENTS

The Nation began construction on an 84,000 square foot Oklahoma State University (OSU) College of Osteopathic Medicine that will be housed on the CN W.W. Hastings Hospital's grounds. The mission will be to educate primary care physicians with an emphasis on rural and underserved Oklahoma. The institution will be operated and managed by OSU and will be the first medical school on tribal land, with a

tribal affiliation, in the United States. Classes are expected to begin in August 2020 with an estimated enrollment of 50 students.

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may negatively affect the financial position, changes in financial position and cash flows of the Nation during fiscal year 2020. Additionally, on March 16, 2020, CNB, a discretely presented component unit, announced the temporary closure of all 10 casino locations it operates through at least March 31, 2020. The duration of these uncertainties and the ultimate financial effects on the Nation or its component units cannot be reasonably estimated at this time.

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Other Supplementary Information

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Nonmajor Governmental Funds

Governmental Fund Types – Governmental funds are those through which most governmental functions of the Nation are financed. The acquisition, use and balances of the Nation’s expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. Governmental fund types use the current financial resources measurement focus. This measurement focus is based upon the receipt and disbursement of current available financial resources rather than upon net income.

Special Revenue Funds – Special revenue funds are used to account for the proceeds of government grants or other specific revenue sources that are restricted by law or administrative action to finance particular functions or activities of the Nation. These funds include:

- **Self Governance DOI - Other** – Established to account for funds received under the Nation’s self governance compact with the United States Government. These funds are used to administer a number of programs under the Department of Interior relating to education, health and welfare, and tribal government within the Nation’s tribal jurisdictional service area.
- **Sequoyah Education** – Established to account for grant funds received from the Department of the Interior and the Department of Education to help fund the education programs of Sequoyah High School.
- **Talking Leaves Job Corps** – Established to account for funds received from the Department of Labor for counseling, training and job placement of disadvantaged youth.
- **Diabetes** – Established to account for Department of Health and Human Services Diabetes Grant funds used to purchase diabetic medicines and supplies, promote awareness and provide assistance to diabetic patients.
- **Food Distribution** – Established to account for Department of Agriculture food products provided to the Nation and grant funds used to pay administrative and program costs of a program which provides food to eligible Indian families.
- **Women, Infants, and Children** – Established to account for grant funds received from the Department of Agriculture to supply supplemental food and nutrition education to women and children at nutritional risk.
- **Head Start** – Established to account for grant funds from the Department of Health and Human Services to provide comprehensive health, educational, nutritional, social, and other services primarily to economically disadvantaged preschool Indian children.
- **Self Governance DOI - Roads** – Established to account for funds received from the Department of the Interior to expand the Nation’s transportation activities such as planning, designing, constructing, and maintaining transportation facilities. Roads constructed with DOI funds are not capitalized by the Nation as they are transferred to other governmental agencies upon completion.
- **Other Grants** – Established to account for various sources of grant funds used to fund specific program activities.
- **Tribal Judgment Funds** – Established to account for monies received by the Nation from the settlement of disputes with the United States Government. The judgment funds are expended in accordance with plans for use and distribution adopted by the Nation and approved as applicable, by the DOI. The judgment funds are held and invested by the DOI Office of Trust Fund Management (OTFM) on behalf and for the benefit of the Nation.
- **Tribal Trusts** – Established to account for income received from external users of tribal lands, such as oil and gas royalties. The DOI OTFM administers these funds which may be expended upon request and approval by the DOI.

Permanent Funds – Permanent funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes supporting the Nation’s programs.

- **Sequoyah Endowment** – Established to account for funds endowed from the Louise K. Green-Matthews Grant in Environmental Science. The income from the grant is to be used to encourage Cherokee students of at least one-quarter blood quantum to engage in furthering their education in the Environmental Science field.
- **Gammon Education Trust** – Established to account for funds endowed by Glenn L. and Faye V. Gammon Trust. The income from this education trust may be used to provide tuition and related educational assistance while students attend any accredited college or university located in the continental United States. The Cherokee students must be at least one-quarter blood quantum.

CHEROKEE NATION
 COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2019
 (Dollars in Thousands)

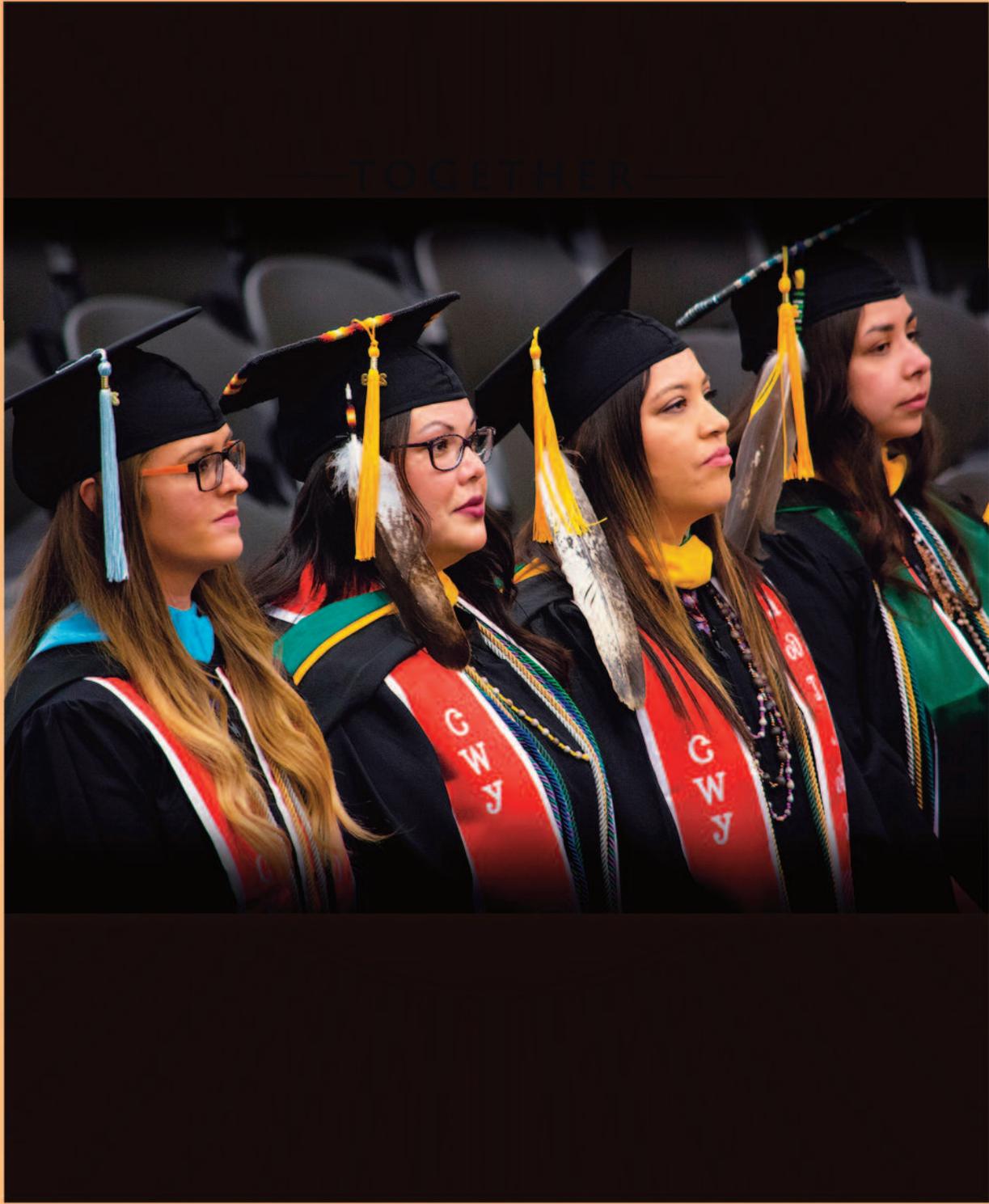
| | Special Revenue Funds | | | | | | | Permanent Funds | | | Total Nonmajor Governmental Funds | | | | | |
|---|---------------------------------|-----------------------|-----------------------------------|---------------|----------------------|----------------------------------|--------------|---------------------------------|-----------------|-----------------------------|--|------------------|---------------|-----------------------|------------------------------|------------------|
| | Self Governance DOI-Other | Sequoyah Education | Talking Leaves Job Corps | Diabetes | Food Distribution | Women, Infants, & Children | Head Start | Self Governance DOI Roads | Other Grants | Tribal Judgment Funds | | Tribal Trusts | Total | Sequoyah Endowment | Gammon Education Trust | Total |
| ASSETS | | | | | | | | | | | | | | | | |
| Cash and cash equivalents | \$ 8,527 | \$ 6,892 | \$ 26 | \$ - | \$ - | \$ - | \$ - | \$ 2,242 | \$ 916 | \$ 44 | \$ 15 | \$ 18,662 | \$ - | \$ - | \$ - | \$ 18,662 |
| Investments | - | - | - | - | - | - | - | 2,104 | 4,126 | 13,220 | 4,816 | 24,266 | - | - | - | 24,266 |
| Receivables, net | 2 | - | 2,779 | 137 | 259 | 85 | - | - | 4,684 | 111 | 40 | 8,097 | - | - | - | 8,097 |
| Due from other funds | - | 303 | - | - | - | - | 47 | 307 | - | - | 9 | 666 | - | - | - | 666 |
| Inventories | - | - | - | - | 1,355 | - | - | - | - | - | - | 1,355 | - | - | - | 1,355 |
| Other current assets | - | - | - | 540 | - | 314 | - | - | - | - | - | 854 | - | - | - | 854 |
| Restricted cash, cash equivalents and investments | - | - | - | - | - | - | - | - | - | - | - | - | 219 | 303 | 522 | 522 |
| Total assets | \$ 8,529 | \$ 7,195 | \$ 2,805 | \$ 677 | \$ 1,614 | \$ 399 | \$ 47 | \$ 4,653 | \$ 9,726 | \$ 13,375 | \$ 4,880 | \$ 53,900 | \$ 219 | \$ 303 | \$ 522 | \$ 54,422 |
| LIABILITIES AND FUND BALANCES | | | | | | | | | | | | | | | | |
| Liabilities: | | | | | | | | | | | | | | | | |
| Accrued liabilities | \$ - | \$ - | \$ - | \$ 8 | \$ 1 | \$ - | \$ - | \$ - | \$ 93 | \$ - | \$ - | \$ 102 | \$ - | \$ - | \$ - | \$ 102 |
| Due to other funds | 2,962 | - | 2,805 | 556 | 258 | 7 | - | - | 1,503 | 1,813 | - | 9,904 | - | 1 | 1 | 9,905 |
| Other liabilities | - | - | - | - | - | (13) | - | - | - | - | - | (13) | - | - | - | (13) |
| Unearned revenue | 5,567 | 7,142 | - | 113 | 1,355 | 405 | 47 | 4,653 | 2,243 | - | - | 21,525 | - | - | - | 21,525 |
| Total liabilities | 8,529 | 7,142 | 2,805 | 677 | 1,614 | 399 | 47 | 4,653 | 3,839 | 1,813 | - | 31,518 | - | 1 | 1 | 31,519 |
| Fund balances: | | | | | | | | | | | | | | | | |
| Nonspendable | - | - | - | - | - | - | - | - | - | - | - | - | 134 | 291 | 425 | 425 |
| Restricted | - | 53 | - | - | - | - | - | - | 5,887 | 11,562 | 4,880 | 22,382 | 85 | 11 | 96 | 22,478 |
| Total fund balances | - | 53 | - | - | - | - | - | - | 5,887 | 11,562 | 4,880 | 22,382 | 219 | 302 | 521 | 22,903 |
| Total liabilities and fund balances | \$ 8,529 | \$ 7,195 | \$ 2,805 | \$ 677 | \$ 1,614 | \$ 399 | \$ 47 | \$ 4,653 | \$ 9,726 | \$ 13,375 | \$ 4,880 | \$ 53,900 | \$ 219 | \$ 303 | \$ 522 | \$ 54,422 |

CHEROKEE NATION

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2019
 (Dollars in Thousands)

| | Special Revenue Funds | | | | | | | Permanent Funds | | | Total Nonmajor Governmental Funds | | | | | |
|--|---------------------------------|-----------------------|-----------------------------------|--------------|----------------------|----------------------------------|---------------|---------------------------------|-----------------|-----------------------------|--|------------------|---------------|-----------------------|------------------------------|------------------|
| | Self Governance DOI-Other | Sequoyah Education | Talking Leaves Job Corps | Diabetes | Food Distribution | Women, Infants, & Children | Head Start | Self Governance DOI Roads | Other Grants | Tribal Judgment Funds | | Tribal Trusts | Total | Sequoyah Endowment | Gammon Education Trust | Total |
| Revenues: | | | | | | | | | | | | | | | | |
| Intergovernmental | \$ 12,387 | \$ 7,685 | \$ 6,433 | \$ 7,141 | \$ 11,013 | \$ 5,819 | \$ 8,807 | \$ 1,943 | \$31,953 | \$ - | \$ - | \$ 93,181 | \$ - | \$ - | \$ - | \$ 93,181 |
| Interest | 143 | 148 | - | - | - | - | - | 118 | 102 | 332 | 125 | 968 | 4 | 6 | 10 | 978 |
| Other | 338 | 29 | - | - | 89 | - | 2,496 | - | 1,717 | - | 43 | 4,712 | - | - | - | 4,712 |
| Third party revenues | - | - | - | - | - | - | - | - | 1,278 | - | - | 1,278 | - | - | - | 1,278 |
| Total revenues | <u>12,868</u> | <u>7,862</u> | <u>6,433</u> | <u>7,141</u> | <u>11,102</u> | <u>5,819</u> | <u>11,303</u> | <u>2,061</u> | <u>35,050</u> | <u>332</u> | <u>168</u> | <u>100,139</u> | <u>4</u> | <u>6</u> | <u>10</u> | <u>100,149</u> |
| Expenditures: | | | | | | | | | | | | | | | | |
| Current operating: | | | | | | | | | | | | | | | | |
| Tribal government | 5,297 | - | - | - | - | - | - | - | 677 | (1,058) | (427) | 4,489 | - | - | - | 4,489 |
| Health services | - | - | - | 7,141 | - | 5,819 | - | - | 12,096 | - | - | 25,056 | - | - | - | 25,056 |
| Education services | 2,924 | 8,762 | 6,514 | - | - | - | 11,100 | - | 4,615 | - | - | 33,915 | - | 1 | 1 | 33,916 |
| Human services | 3,748 | - | - | - | 11,782 | - | - | - | 11,531 | - | - | 27,061 | - | - | - | 27,061 |
| Community services | 698 | - | - | - | - | - | - | 1,929 | 4,697 | - | - | 7,324 | - | - | - | 7,324 |
| Capital outlay | 100 | 25 | - | - | 390 | - | 203 | 10 | 740 | - | - | 1,468 | - | - | - | 1,468 |
| Total expenditures | <u>12,767</u> | <u>8,787</u> | <u>6,514</u> | <u>7,141</u> | <u>12,172</u> | <u>5,819</u> | <u>11,303</u> | <u>1,939</u> | <u>34,356</u> | <u>(1,058)</u> | <u>(427)</u> | <u>99,313</u> | <u>-</u> | <u>1</u> | <u>1</u> | <u>99,314</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>101</u> | <u>(925)</u> | <u>(81)</u> | <u>-</u> | <u>(1,070)</u> | <u>-</u> | <u>-</u> | <u>122</u> | <u>694</u> | <u>1,390</u> | <u>595</u> | <u>826</u> | <u>4</u> | <u>5</u> | <u>9</u> | <u>835</u> |
| Other financing sources (uses): | | | | | | | | | | | | | | | | |
| Transfers in | 80 | 940 | 81 | - | 1,070 | - | - | - | 968 | - | - | 3,139 | - | - | - | 3,139 |
| Transfers out | (181) | - | - | - | - | - | - | (122) | (1,072) | - | - | (1,375) | - | - | - | (1,375) |
| Total other financing sources (uses) | <u>(101)</u> | <u>940</u> | <u>81</u> | <u>-</u> | <u>1,070</u> | <u>-</u> | <u>-</u> | <u>(122)</u> | <u>(104)</u> | <u>-</u> | <u>-</u> | <u>1,764</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,764</u> |
| Net change in fund balances | <u>-</u> | <u>15</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>590</u> | <u>1,390</u> | <u>595</u> | <u>2,590</u> | <u>4</u> | <u>5</u> | <u>9</u> | <u>2,599</u> |
| Fund balance, October 1, 2018 | - | 38 | - | - | - | - | - | - | 5,297 | 10,172 | 4,285 | 19,792 | 215 | 297 | 512 | 20,304 |
| Fund balance, September 30, 2019 | <u>\$ -</u> | <u>\$ 53</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 5,887</u> | <u>\$ 11,562</u> | <u>\$ 4,880</u> | <u>\$ 22,382</u> | <u>\$ 219</u> | <u>\$ 302</u> | <u>\$ 521</u> | <u>\$ 22,903</u> |

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Nonmajor Enterprise Funds

Enterprise Funds – Enterprise funds are used to account for the Nation’s ongoing organizations and activities which are similar to those often found in the private sector where the intent is that costs of providing goods and services be recovered through user charges. The measurement focus of the Enterprise Funds, the flow of economic resources, is based upon the determination of net income, net position and capital maintenance. The nonmajor enterprise funds of the Nation include:

- **Tsa-La-Gi Apartments** – Utilized to account for the operations of the Nation’s federally subsidized low-income housing apartment complex, whose operating focus is to provide housing for qualified applicants and to recover costs of operations.
- **Title VI Loan Fund** – Utilized to account for borrowing and lending activities related to the United States Department of Housing and Urban Development Title VI loan agreement, the proceeds of which are obtained from federal government guaranteed bank financing and subsequently loaned to the HACN, a component unit of the Nation.
- **CN Sanitary Landfill** – Utilized to account for the solid waste landfill operations and closure/postclosure for the landfill located near Stilwell, Oklahoma.
- **EDTA** - Established by Tribal Council Legislative Act 36-89 as a mechanism to promote economic development. Its mission is to provide opportunities for income generation through economic development, to provide loans for business creation/expansion, and to provide loans to qualified individuals whom have traditionally been denied by conventional lending sources.

CHEROKEE NATION

COMBINING STATEMENT OF NET POSITION - NONMAJOR ENTERPRISE FUNDS

SEPTEMBER 30, 2019

(Dollars in Thousands)

| | Tsa-La-Gi Apartments | Title VI Loan Fund | CN Sanitary Landfill | EDTA | Total |
|---|-------------------------|--------------------------|----------------------------|------------------|------------------|
| ASSETS | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | \$ 868 | \$ - | \$ 1,593 | \$ 3,501 | \$ 5,962 |
| Accounts receivable, net | - | - | 311 | 2 | 313 |
| Notes receivable, current | - | - | - | 2,703 | 2,703 |
| Other current assets | 2 | - | - | - | 2 |
| Total current assets | <u>870</u> | <u>-</u> | <u>1,904</u> | <u>6,206</u> | <u>8,980</u> |
| Noncurrent assets: | | | | | |
| Restricted cash, cash equivalents and investments | 36 | - | 3,505 | - | 3,541 |
| Long-term notes receivable | - | - | - | 7,939 | 7,939 |
| Capital assets, net | 232 | - | 2,145 | - | 2,377 |
| Total noncurrent assets | <u>268</u> | <u>-</u> | <u>5,650</u> | <u>7,939</u> | <u>13,857</u> |
| Total assets | <u>1,138</u> | <u>-</u> | <u>7,554</u> | <u>14,145</u> | <u>22,837</u> |
| LIABILITIES | | | | | |
| Current liabilities: | | | | | |
| Accrued liabilities | 29 | - | - | - | 29 |
| Current portion of long-term debt | - | - | - | 66 | 66 |
| Current portion of capital leases | - | - | 227 | - | 227 |
| Due to other funds | 45 | - | - | 26 | 71 |
| Other current liabilities | 31 | - | - | 15 | 46 |
| Total current liabilities | <u>105</u> | <u>-</u> | <u>227</u> | <u>107</u> | <u>439</u> |
| Noncurrent liabilities: | | | | | |
| Long-term due to other funds | - | - | 3,133 | - | 3,133 |
| Long-term debt | - | - | - | 803 | 803 |
| Capital leases | - | - | 135 | - | 135 |
| Other liabilities | - | - | 3,827 | - | 3,827 |
| Total noncurrent liabilities | <u>-</u> | <u>-</u> | <u>7,095</u> | <u>803</u> | <u>7,898</u> |
| Total liabilities | <u>105</u> | <u>-</u> | <u>7,322</u> | <u>910</u> | <u>8,337</u> |
| NET POSITION | | | | | |
| Net investment in capital assets | 232 | - | 1,783 | - | 2,015 |
| Unrestricted | 801 | - | (1,551) | 13,235 | 12,485 |
| Total net position | <u>\$ 1,033</u> | <u>\$ -</u> | <u>\$ 232</u> | <u>\$ 13,235</u> | <u>\$ 14,500</u> |

CHEROKEE NATION

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019
(Dollars in Thousands)

| | Tsa-La-Gi Apartments | Title VI Loan Fund | CN Sanitary Landfill | EDTA | Total |
|--------------------------------------|-------------------------|--------------------------|----------------------------|------------------|------------------|
| Operating revenues: | | | | | |
| Property rentals | \$ 606 | \$ - | \$ - | \$ - | \$ 606 |
| Charges for services and goods | - | - | 784 | - | 784 |
| Interest income, loans | - | 2 | - | 538 | 540 |
| Other | 3 | - | - | 134 | 137 |
| Total operating revenues | <u>609</u> | <u>2</u> | <u>784</u> | <u>672</u> | <u>2,067</u> |
| Operating expenses: | | | | | |
| Salaries and wages | 139 | - | 580 | - | 719 |
| Other services and charges | 324 | - | 1,341 | 259 | 1,924 |
| Materials and supplies | 36 | - | 20 | - | 56 |
| Depreciation | 46 | - | 444 | - | 490 |
| Total operating expenses | <u>545</u> | <u>-</u> | <u>2,385</u> | <u>259</u> | <u>3,189</u> |
| Operating income (loss) | <u>64</u> | <u>2</u> | <u>(1,601)</u> | <u>413</u> | <u>(1,122)</u> |
| Nonoperating revenues (expenses): | | | | | |
| Interest income | 5 | 1 | 94 | 11 | 111 |
| Interest expense | - | (2) | (9) | (10) | (21) |
| Net nonoperating revenues (expenses) | <u>5</u> | <u>(1)</u> | <u>85</u> | <u>1</u> | <u>90</u> |
| Income (loss) before transfers | 69 | 1 | (1,516) | 414 | (1,032) |
| Transfers in | - | - | 775 | 1,072 | 1,847 |
| Transfers out | - | (7) | - | - | (7) |
| Change in net position | <u>69</u> | <u>(6)</u> | <u>(741)</u> | <u>1,486</u> | <u>808</u> |
| Total net position - beginning | <u>964</u> | <u>6</u> | <u>973</u> | <u>11,749</u> | <u>13,692</u> |
| Total net position - ending | <u>\$ 1,033</u> | <u>\$ -</u> | <u>\$ 232</u> | <u>\$ 13,235</u> | <u>\$ 14,500</u> |

CHEROKEE NATION

COMBINING STATEMENT OF CASH FLOWS - NONMAJOR ENTERPRISE FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2019 (Dollars in Thousands)

| | Tsa-La-Gi Apartments | Title VI Loan Fund | CN Sanitary Landfill | EDTA | Total |
|--|-------------------------|--------------------------|----------------------------|----------|------------|
| Cash flows from operating activities: | | | | | |
| Receipts from customers | \$ 606 | \$ - | \$ 825 | \$ - | \$ 1,431 |
| Payments to suppliers | (351) | (1) | (996) | (260) | (1,608) |
| Payments to employees | (139) | - | (580) | - | (719) |
| Internal activity - payments to other funds | 35 | - | 3,133 | 26 | 3,194 |
| Internal activity - payments from other funds | - | (470) | (466) | - | (936) |
| Internal activity - payments to other Component Units | - | 1 | - | - | 1 |
| Interest received on loans | - | 2 | - | 538 | 540 |
| Other receipts | 3 | - | - | 134 | 137 |
| Net cash provided by (used for) operating activities | 154 | (468) | 1,916 | 438 | 2,040 |
| Cash flows from noncapital financing activities: | | | | | |
| Transfer from other funds | - | - | 775 | 1,072 | 1,847 |
| Transfer to other funds | - | (7) | - | - | (7) |
| Principal paid on notes payable | - | (465) | - | (65) | (530) |
| Interest paid on notes payable | - | (2) | - | (10) | (12) |
| Net cash provided by (used for) noncapital financing activities | - | (474) | 775 | 997 | 1,298 |
| Cash flows from capital and related financing activities: | | | | | |
| Purchases of capital assets | - | - | (1,636) | - | (1,636) |
| Principal paid on capital debt and leases | - | - | (222) | - | (222) |
| Interest paid on capital debt and leases | - | - | (9) | - | (9) |
| Net cash (used for) capital and related financing activities | - | - | (1,867) | - | (1,867) |
| Cash flows from investing activities: | | | | | |
| Interest received | 5 | 1 | 94 | 11 | 111 |
| Increase in notes receivable, net | - | 465 | - | (324) | 141 |
| Net cash provided by (used for) investing activities | 5 | 466 | 94 | (313) | 252 |
| Net increase (decrease) in cash and cash equivalents | 159 | (476) | 918 | 1,122 | 1,723 |
| Cash and cash equivalents, October 1, 2018 | 745 | 476 | 4,180 | 2,379 | 7,780 |
| Cash and cash equivalents, September 30, 2019 | \$ 904 | \$ - | \$ 5,098 | \$ 3,501 | \$ 9,503 |
| Cash and cash equivalents consist of: | | | | | |
| Unrestricted cash and cash equivalents | \$ 868 | \$ - | \$ 1,593 | \$ 3,501 | \$ 5,962 |
| Restricted cash, cash equivalents and investments | 36 | - | 3,505 | - | 3,541 |
| Total Cash and Cash Equivalents, September 30, 2019 | \$ 904 | \$ - | \$ 5,098 | \$ 3,501 | \$ 9,503 |
| Reconciliation of operating income (loss) to net cash provided by operating activities: | | | | | |
| Operating income (loss) | \$ 64 | \$ 2 | \$ (1,601) | \$ 413 | \$ (1,122) |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | | | | | |
| Depreciation expense | 46 | - | 444 | - | 490 |
| Change in assets and liabilities: | | | | | |
| Receivables, net | - | 1 | 41 | - | 42 |
| Accounts and other payables | 44 | (471) | 3,032 | 25 | 2,630 |
| Net cash provided by (used for) operating activities | \$ 154 | \$ (468) | \$ 1,916 | \$ 438 | \$ 2,040 |

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Internal Service Funds

Internal Service funds are used to account for the financing of goods and services provided by one fund to other funds within the Nation on a cost reimbursement basis.

- **Internal Leases** is used to account for the cost to maintain certain buildings for use by other funds of the Nation.
- **Fringe Pool** is used to account for the cost of fringe benefits, including the Nation's self-insured health care benefits and workers' compensation benefits, used by other funds of the Nation.
- **Indirect Cost Pool** is used to account for the cost of providing certain services for a common or joint purpose benefiting more than one cost objective and not readily assignable to the cost objectives specifically benefitted, such as accounting, human resources and acquisition management, to other funds of the Nation.

CHEROKEE NATION**COMBINING STATEMENT OF NET POSITION - INTERNAL SERVICE FUNDS****SEPTEMBER 30, 2019****(Dollars in Thousands)**

| | <u>Internal Leases</u> | <u>Fringe Pool</u> | <u>Indirect Cost Pool</u> | <u>Total</u> |
|----------------------------------|----------------------------|------------------------|-------------------------------|------------------|
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ - | \$ 11 | \$ 142 | \$ 153 |
| Accounts receivable, net | - | 941 | 314 | 1,255 |
| Due from other funds | - | 13,012 | 3,052 | 16,064 |
| Due from component units | - | 1,047 | 119 | 1,166 |
| Inventories | - | - | 233 | 233 |
| Other current assets | - | 687 | 1,040 | 1,727 |
| Total current assets | <u>-</u> | <u>15,698</u> | <u>4,900</u> | <u>20,598</u> |
| Noncurrent assets: | | | | |
| Capital assets, net | <u>24,109</u> | <u>-</u> | <u>1,223</u> | <u>25,332</u> |
| Total noncurrent assets | <u>24,109</u> | <u>-</u> | <u>1,223</u> | <u>25,332</u> |
| Total assets | <u>24,109</u> | <u>15,698</u> | <u>6,123</u> | <u>45,930</u> |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accrued liabilities | - | 10,014 | 823 | 10,837 |
| Due to other funds | 1,694 | - | - | 1,694 |
| Compensated absences | - | 8,828 | - | 8,828 |
| Other current liabilities | - | 3,582 | 3,361 | 6,943 |
| Total current liabilities | <u>1,694</u> | <u>22,424</u> | <u>4,184</u> | <u>28,302</u> |
| Total liabilities | <u>1,694</u> | <u>22,424</u> | <u>4,184</u> | <u>28,302</u> |
| NET POSITION | | | | |
| Net investment in capital assets | 24,109 | - | 1,223 | 25,332 |
| Unrestricted (deficit) | <u>(1,694)</u> | <u>(6,726)</u> | <u>716</u> | <u>(7,704)</u> |
| Total net position | <u>\$ 22,415</u> | <u>\$ (6,726)</u> | <u>\$ 1,939</u> | <u>\$ 17,628</u> |

CHEROKEE NATION

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019
(Dollars in Thousands)**

| | <u>Internal Leases</u> | <u>Fringe Pool</u> | <u>Indirect Cost Pool</u> | <u>Total</u> |
|---------------------------------------|----------------------------|------------------------|-------------------------------|------------------|
| Operating revenues: | | | | |
| Property rentals | \$ 7 | \$ - | \$ - | \$ 7 |
| Charges for services and goods | 5,021 | 88,507 | 44,931 | 138,459 |
| Other | 55 | 1,623 | 453 | 2,131 |
| Total operating revenues | <u>5,083</u> | <u>90,130</u> | <u>45,384</u> | <u>140,597</u> |
| Operating expenses: | | | | |
| Salaries and wages | 2,491 | 88,525 | 26,972 | 117,988 |
| Other services and charges | 1,830 | 17 | 17,169 | 19,016 |
| Materials and supplies | 307 | - | 2,308 | 2,615 |
| Depreciation | 1,000 | - | 602 | 1,602 |
| Total operating expenses | <u>5,628</u> | <u>88,542</u> | <u>47,051</u> | <u>141,221</u> |
| Operating income (loss) | <u>(545)</u> | <u>1,588</u> | <u>(1,667)</u> | <u>(624)</u> |
| Nonoperating revenues (expenses): | | | | |
| Gain/(loss) on sale of capital assets | 1 | - | - | 1 |
| Net nonoperating revenues (expenses) | <u>1</u> | <u>-</u> | <u>-</u> | <u>1</u> |
| Income (loss) before transfers | (544) | 1,588 | (1,667) | (623) |
| Transfers in | - | - | 9 | 9 |
| Transfers out | - | (1,200) | - | (1,200) |
| Change in net position | (544) | 388 | (1,658) | (1,814) |
| Total net position - beginning | <u>22,959</u> | <u>(7,114)</u> | <u>3,597</u> | <u>19,442</u> |
| Total net position - ending | <u>\$ 22,415</u> | <u>\$ (6,726)</u> | <u>\$ 1,939</u> | <u>\$ 17,628</u> |

CHEROKEE NATION

COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2019 (Dollars in Thousands)

| | Internal Leases | Fringe Pool | Indirect Cost Pool | Total |
|--|--------------------|-----------------|-----------------------|-----------------|
| Cash flows from operating activities: | | | | |
| Receipts from customers - other funds | \$ 5,028 | \$ 89,539 | \$ 44,727 | \$ 139,294 |
| Payments to suppliers | (2,137) | - | (18,622) | (20,759) |
| Payments to employees | (2,491) | (87,990) | (26,972) | (117,453) |
| Internal activity - payments to other funds | - | 546 | 737 | 1,283 |
| Internal activity - payments from other funds | (436) | - | - | (436) |
| Internal activity - payments to component units | - | - | 90 | 90 |
| Internal activity - payments from component units | - | (927) | - | (927) |
| Other receipts | 55 | - | 453 | 508 |
| Net cash provided by operating activities | <u>19</u> | <u>1,168</u> | <u>413</u> | <u>1,600</u> |
| Cash flows from noncapital financing activities | | | | |
| Transfer from other funds | - | - | 9 | 9 |
| Transfer to other funds | - | (1,200) | - | (1,200) |
| Net cash provided by (used for) noncapital financing activities | <u>-</u> | <u>(1,200)</u> | <u>9</u> | <u>(1,191)</u> |
| Cash flows from capital and related financing activities: | | | | |
| Purchases of capital assets | (19) | - | (458) | (477) |
| Net cash (used for) capital and related financing activities | <u>(19)</u> | <u>-</u> | <u>(458)</u> | <u>(477)</u> |
| Net (decrease) in cash and cash equivalents | - | (32) | (36) | (68) |
| Cash and cash equivalents, October 1, 2018 | - | 43 | 178 | 221 |
| Cash and cash equivalents, September 30, 2019 | <u>\$ -</u> | <u>\$ 11</u> | <u>\$ 142</u> | <u>\$ 153</u> |
| Cash and cash equivalents consist of: | | | | |
| Unrestricted cash and cash equivalents | \$ - | \$ 11 | \$ 142 | \$ 153 |
| Total Cash and Cash Equivalents, September 30, 2019 | <u>\$ -</u> | <u>\$ 11</u> | <u>\$ 142</u> | <u>\$ 153</u> |
| Reconciliation of operating income (loss) to net cash provided by operating activities: | | | | |
| Operating income (loss) | \$ (545) | \$ 1,588 | \$ (1,667) | \$ (624) |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | | | | |
| Depreciation expense | 1,000 | - | 602 | 1,602 |
| Change in assets and liabilities: | | | | |
| Receivables, net | - | (336) | 623 | 287 |
| Inventories | - | - | 19 | 19 |
| Other current assets | - | (647) | (287) | (934) |
| Accounts and other payables | (436) | 563 | 1,123 | 1,250 |
| Net cash provided by operating activities | <u>\$ 19</u> | <u>\$ 1,168</u> | <u>\$ 413</u> | <u>\$ 1,600</u> |

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Budgetary Information

CHEROKEE NATION

**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -
BUDGET AND ACTUAL (GAAP BASIS) - ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019
(Dollars in Thousands)**

| | <u>Budgeted Amounts</u> | | | <u>Variance with Final Budget over/(under)</u> |
|--|-------------------------|------------------|------------------|--|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Operating revenues: | | | | |
| Property rentals | \$ 508 | \$ 508 | \$ 606 | \$ 98 |
| Charges for services and goods | 830 | 830 | 784 | (46) |
| Interest income, loans | 788 | 788 | 540 | (248) |
| Other | 91 | 91 | 137 | 46 |
| Total operating revenues | <u>2,217</u> | <u>2,217</u> | <u>2,067</u> | <u>(150)</u> |
| Operating expenses: | | | | |
| Salaries and wages | 814 | 814 | 719 | (95) |
| Other services and charges | 3,481 | 4,331 | 1,924 | (2,407) |
| Materials and supplies | 39 | 39 | 56 | 17 |
| Depreciation | 478 | 443 | 490 | 47 |
| Total operating expenses | <u>4,812</u> | <u>5,627</u> | <u>3,189</u> | <u>(2,438)</u> |
| Operating income (loss) | <u>(2,595)</u> | <u>(3,410)</u> | <u>(1,122)</u> | <u>2,288</u> |
| Nonoperating revenues(expenses): | | | | |
| Interest income | 2 | 3 | 111 | 108 |
| Interest expense | (23) | (23) | (21) | 2 |
| Net nonoperating revenue (expenses) | <u>(21)</u> | <u>(20)</u> | <u>90</u> | <u>110</u> |
| Income (loss) before transfer of operations and transfers | <u>(2,616)</u> | <u>(3,430)</u> | <u>(1,032)</u> | <u>2,398</u> |
| Transfers in | 1,375 | 2,152 | 1,847 | (305) |
| Transfers out | - | (7) | (7) | - |
| Change in net position | <u>(1,241)</u> | <u>(1,285)</u> | <u>808</u> | <u>2,093</u> |
| Total net position - beginning | 13,692 | 13,692 | 13,692 | - |
| Total net position - ending | <u>\$ 12,451</u> | <u>\$ 12,407</u> | <u>14,500</u> | <u>\$ 2,093</u> |
| Adjustment to reflect the consolidation of Internal Service Funds activities related to Enterprise Funds | | | <u>(63)</u> | |
| Net position of Enterprise Funds | | | <u>\$ 14,437</u> | |

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Statistical Section

The Statistical Section provides financial statement users with additional detailed information as a context for understanding the information in the financial statements, notes to financial statements, and required supplementary information as it relates to the government's overall financial health.

- **Financial Trends** – Schedules which contain trend information to assist users in understanding how the government's financial position has changed over time.
- **Revenue Capacity** – Schedules which contain information relating to the government's most significant tax revenue sources.
- **Debt Capacity** – Schedules which present information to help the reader assess the government's current levels of outstanding debt and the ability to issue additional debt in the future.
- **Demographic and Economic Indicators** – Demographic and economic indicators to enable users to understand the environment in which the government operates. Reports have been compiled similarly to prior years' reporting to maintain consistency.
- **Operating Information** – Schedules which contain service and program data to help users understand how the information contained in the government's financial report relates to the governmental activities performed.

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The Nation implemented GASB 54 in 2011; the schedule presenting the new fund balance classifications include information beginning in that year. The Nation implemented GASB 61, 63 and 65 in 2013; the effects of the implementation of these standards have been included in the following schedules and prior years have not been adjusted.

CHEROKEE NATION

**SCHEDULE OF NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS (Dollars in Thousands)**

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|--|------------------|------------------|------------------|------------------|------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Governmental Activities | | | | | | | | | | |
| Net investment in capital assets | \$ 78,468 | \$ 94,667 | \$ 102,104 | \$ 123,091 | \$ 135,395 | \$ 175,662 | \$ 192,687 | \$ 203,046 | \$ 189,233 | \$ 208,456 |
| Restricted | 89,899 | 95,234 | 100,282 | 746,032 | 797,337 | 822,166 | 876,372 | 940,814 | 1,029,195 | 1,142,623 |
| Unrestricted | 50,110 | 49,656 | 61,251 | 32,510 | 54,656 | 42,231 | 41,043 | 33,659 | 59,259 | 80,399 |
| Total governmental activities net position | 218,477 | 239,557 | 263,637 | 901,633 | 987,388 | 1,040,059 | 1,110,102 | 1,177,519 | 1,277,687 | 1,431,478 |
| Business-type activities | | | | | | | | | | |
| Net investment in capital assets | 457 | 514 | 533 | 483 | 435 | 386 | 1,201 | 904 | 647 | 2,015 |
| Restricted | 324 | 304 | 362 | 279 | 339 | 287 | 287 | 287 | - | - |
| Unrestricted | 3,128 | 4,052 | 4,800 | 5,263 | 5,655 | 7,624 | 9,991 | 11,342 | 12,985 | 12,422 |
| Total business-type activities net position | 3,909 | 4,870 | 5,695 | 6,025 | 6,429 | 8,297 | 11,479 | 12,533 | 13,632 | 14,437 |
| Primary government | | | | | | | | | | |
| Net investment in capital assets | 78,925 | 95,181 | 102,637 | 123,574 | 135,830 | 176,048 | 193,888 | 203,950 | 189,880 | 210,471 |
| Restricted | 90,223 | 95,538 | 100,644 | 746,311 | 797,676 | 822,453 | 876,659 | 941,101 | 1,029,195 | 1,142,623 |
| Unrestricted | 53,238 | 53,708 | 66,051 | 37,773 | 60,311 | 49,855 | 51,034 | 45,001 | 72,244 | 92,821 |
| Total primary government net position | \$222,386 | \$244,427 | \$269,332 | \$907,658 | \$993,817 | \$1,048,356 | \$1,121,581 | \$1,190,052 | \$1,291,319 | \$1,445,915 |

2010 through 2012 net position is not comparable to 2013 and subsequent years due to the adoption of GASB 61.

CHEROKEE NATION

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS (Dollars in Thousands)

(accrual basis of accounting)

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|------------|
| Expenses | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Tribal Government | \$ 29,841 | \$ 29,678 | \$ 29,428 | \$ 28,885 | \$ 26,464 | \$ 27,535 | \$ 32,382 | \$ 41,010 | \$ 33,171 | \$ 44,454 |
| Health Services | 206,013 | 224,634 | 244,547 | 256,465 | 266,606 | 300,161 | 303,202 | 311,892 | 333,037 | 339,118 |
| Education Services | 54,085 | 52,348 | 54,061 | 57,076 | 59,753 | 65,059 | 68,678 | 65,666 | 66,958 | 71,235 |
| Human Services | 37,932 | 38,588 | 38,575 | 40,432 | 40,917 | 42,996 | 45,461 | 46,048 | 48,750 | 59,403 |
| Community Services | 75,600 | 63,814 | 68,391 | 72,344 | 82,796 | 88,575 | 85,626 | 78,290 | 79,903 | 89,261 |
| Interest on long-term debt | 1,309 | 1,722 | 1,569 | 1,414 | 1,274 | 1,140 | 1,046 | 943 | 2,385 | 4,794 |
| Total governmental activities expenses | 404,780 | 410,784 | 436,571 | 456,616 | 477,810 | 525,466 | 536,395 | 543,849 | 564,204 | 608,265 |
| Business-type activities: | | | | | | | | | | |
| Tsa-La-Gi Apartments | 387 | 459 | 473 | 492 | 488 | 488 | 523 | 651 | 655 | 544 |
| Title VI Loan Fund | 469 | 302 | 190 | 124 | 70 | 57 | 51 | 45 | 33 | 2 |
| CN Sanitary Landfill | 128 | 154 | 16 | - | - | - | 320 | 2,329 | 2,184 | 2,398 |
| EDTA | 47 | 67 | 46 | 124 | 232 | 155 | 17 | 55 | 250 | 269 |
| Total business-type activities expenses | 1,031 | 982 | 725 | 740 | 790 | 700 | 911 | 3,080 | 3,122 | 3,213 |
| Total primary government expenses | \$ 405,811 | \$ 411,766 | \$ 437,296 | \$ 457,356 | \$ 478,600 | \$ 526,166 | \$ 537,306 | \$ 546,929 | \$ 567,326 | \$ 611,478 |
| Program Revenues | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Tribal Government | \$ 4,237 | \$ 4,116 | \$ 4,458 | \$ 4,535 | \$ 4,778 | \$ 4,651 | \$ 4,869 | \$ 5,208 | \$ 5,709 | \$ 5,591 |
| Health Services | 58,351 | 69,723 | 72,911 | 81,588 | 93,393 | 103,757 | 104,583 | 126,026 | 140,884 | 156,610 |
| Community Services | 994 | 799 | 714 | 12 | 8 | 7 | 12 | 17 | 15 | 16 |
| Increase in equity in component units | - | - | - | 49,740 | 52,251 | 31,749 | 48,999 | 40,789 | 65,720 | 48,758 |
| Operating grants and contributions | 289,034 | 283,563 | 283,446 | 277,312 | 283,024 | 296,053 | 311,972 | 315,952 | 333,446 | 391,164 |
| Capital grants and contributions | 989 | 1,369 | 366 | 5,036 | 2,054 | 36,954 | 17,046 | 7,347 | 1,141 | 26,285 |
| Total governmental activities program revenues | 353,605 | 359,570 | 361,895 | 418,223 | 435,508 | 473,171 | 487,481 | 495,339 | 546,915 | 628,424 |
| Business-type activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Tsa-La-Gi Apartments | 514 | 508 | 521 | 511 | 528 | 533 | 547 | 601 | 598 | 614 |
| Title VI Loan Fund | 474 | 303 | 191 | 124 | 70 | 57 | 52 | 46 | 34 | 3 |
| CN Sanitary Landfill | 128 | 154 | - | - | - | - | 298 | 1,321 | 1,285 | 878 |
| EDTA | 184 | 170 | 194 | 240 | 256 | 315 | 354 | 513 | 641 | 683 |
| Total business-type activities program revenues | 1,300 | 1,135 | 906 | 875 | 854 | 905 | 1,251 | 2,481 | 2,558 | 2,178 |
| Total primary government program revenues | \$ 354,905 | \$ 360,705 | \$ 362,801 | \$ 419,098 | \$ 436,362 | \$ 474,076 | \$ 488,732 | \$ 497,820 | \$ 549,473 | \$ 630,602 |
| Net (Expense)/Revenue | | | | | | | | | | |
| Governmental activities | \$ (51,175) | \$ (51,214) | \$ (74,676) | \$ (38,393) | \$ (42,302) | \$ (52,295) | \$ (48,914) | \$ (48,510) | \$ (17,289) | \$ 20,159 |
| Business-type activities | 269 | 153 | 181 | 135 | 64 | 205 | 340 | (599) | (564) | (1,035) |
| Total primary government net expense | \$ (50,906) | \$ (51,061) | \$ (74,495) | \$ (38,258) | \$ (42,238) | \$ (52,090) | \$ (48,574) | \$ (49,109) | \$ (17,853) | \$ 19,124 |
| General Revenues and Other Changes in Net Position | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Motor fuel tax | 7,256 | 7,543 | 7,435 | 7,615 | 7,733 | 8,008 | 8,209 | 8,488 | 9,038 | 10,945 |
| Motor vehicle tax | 7,707 | 8,441 | 8,960 | 9,641 | 11,654 | 13,638 | 14,680 | 15,074 | 15,867 | 16,766 |
| Tobacco tax | 4,194 | 3,990 | 3,943 | 3,631 | 13,466 | 14,217 | 13,505 | 12,254 | 11,831 | 14,245 |
| Sales tax | 2,314 | 2,905 | 3,111 | 3,363 | 3,506 | 3,654 | 3,752 | 4,106 | 4,616 | 4,639 |
| Grants and contributions not restricted to specific programs | 11,143 | 13,394 | 11,676 | 12,844 | 12,503 | 12,740 | 14,494 | 12,122 | 11,292 | 12,776 |
| Unrestricted investment earnings | 2,056 | 1,393 | 1,141 | 864 | 634 | 531 | 726 | 1,615 | 3,177 | 7,433 |
| Dividends from component units | 26,429 | 30,074 | 56,806 | 44,109 | 47,392 | 45,448 | 50,139 | 49,444 | 55,983 | 60,734 |
| Litigation settlement | - | - | - | - | - | 1,839 | 8,349 | 8,236 | 36 | - |
| Miscellaneous revenue | 5,483 | 5,360 | 6,327 | 3,921 | 5,695 | 6,552 | 6,040 | 6,241 | 7,280 | 7,934 |
| Special Items | - | - | - | - | 25,813 | - | - | - | - | - |
| Transfers | (508) | (806) | (643) | (194) | (339) | (1,661) | (937) | (1,653) | (1,663) | (1,840) |
| Total governmental activities | 66,074 | 72,294 | 98,756 | 85,794 | 128,057 | 104,966 | 118,957 | 115,927 | 117,457 | 133,632 |
| Business-type activities: | | | | | | | | | | |
| Unrestricted investment earnings | 3 | 2 | 1 | 1 | 1 | 2 | - | - | - | - |
| Transfers | 508 | 806 | 643 | 194 | 339 | 1,661 | 937 | 1,653 | 1,663 | 1,840 |
| Transfer of operations | - | - | - | - | - | - | 1,905 | - | - | - |
| Total business-type activities | 511 | 808 | 644 | 195 | 340 | 1,663 | 2,842 | 1,653 | 1,663 | 1,840 |
| Total primary government | \$ 66,585 | \$ 73,102 | \$ 99,400 | \$ 85,989 | \$ 128,397 | \$ 106,629 | \$ 121,799 | \$ 117,580 | \$ 119,120 | \$ 135,472 |
| Change in Net Position | | | | | | | | | | |
| Governmental activities | \$ 14,899 | \$ 21,080 | \$ 24,080 | \$ 47,401 | \$ 85,755 | \$ 52,671 | \$ 70,043 | \$ 67,417 | \$ 100,168 | \$ 153,791 |
| Business-type activities | 780 | 961 | 825 | 330 | 404 | 1,868 | 3,182 | 1,054 | 1,099 | 805 |
| Total primary government | \$ 15,679 | \$ 22,041 | \$ 24,905 | \$ 47,731 | \$ 86,159 | \$ 54,539 | \$ 73,225 | \$ 68,471 | \$ 101,267 | \$ 154,596 |

2010 through 2012 change in net position is not comparable to 2013 and subsequent years due to the adoption of GASB 61.

CHEROKEE NATION

GOVERNMENTAL ACTIVITIES - TAX REVENUES BY SOURCE

LAST TEN FISCAL YEARS

(Dollars in Thousands)

| <u>Year</u> | <u>Motor Fuel Tax</u> | <u>Motor Vehicle Tax</u> | <u>Tobacco Tax</u> | <u>Sales Tax</u> | <u>Total</u> |
|-------------|-------------------------------|----------------------------------|------------------------|----------------------|--------------|
| 2019 | \$ 10,945 | \$ 16,766 | \$ 14,245 | \$ 4,639 | \$ 46,595 |
| 2018 | 9,038 | 15,867 | 11,831 | 4,616 | 41,352 |
| 2017 | 8,488 | 15,074 | 12,254 | 4,106 | 39,922 |
| 2016 | 8,209 | 14,680 | 13,505 | 3,752 | 40,146 |
| 2015 | 8,008 | 13,638 | 14,217 | 3,654 | 39,517 |
| 2014 | 7,733 | 11,654 | 13,466 | 3,506 | 36,359 |
| 2013 | 7,615 | 9,641 | 3,631 | 3,363 | 24,250 |
| 2012 | 7,435 | 8,960 | 3,943 | 3,111 | 23,449 |
| 2011 | 7,543 | 8,441 | 3,990 | 2,905 | 22,879 |
| 2010 | 7,256 | 7,707 | 4,194 | 2,314 | 21,471 |

CHEROKEE NATION

FUND BALANCES, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS (Dollars in Thousands)

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|------------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|------------------|------------------|------------------|
| General Fund | | | | | | | | | | |
| Reserved | \$ 46,973 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Unreserved | 14,636 | - | - | - | - | - | - | - | - | - |
| Nonspendable | - | - | - | - | - | - | - | - | - | 7 |
| Restricted | - | 39,447 | 41,777 | 45,286 | 47,233 | 52,602 | 57,932 | 62,710 | 68,432 | 75,626 |
| Committed | - | 6,353 | 11,548 | 6,012 | 8,581 | 10,042 | 7,953 | 8,113 | 8,568 | 14,228 |
| Assigned | - | 11,327 | 10,731 | 3,645 | 17,252 | 15,274 | 8,265 | 10,443 | 14,792 | 12,461 |
| Unassigned | - | 6,234 | 21,874 | 10,298 | 22,056 | 16,330 | 26,922 | 18,058 | 23,412 | 34,126 |
| Total general fund | \$ 61,609 | \$63,361 | \$85,930 | \$65,241 | \$95,122 | \$94,248 | \$101,072 | \$ 99,324 | \$115,204 | \$136,448 |
| All Other Governmental Funds | | | | | | | | | | |
| Reserved | \$102,399 * | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Nonspendable | - | 11,793 | 11,734 | 11,704 | 11,763 | 11,895 | 12,516 | 12,406 | 12,697 | 14,262 |
| Restricted | - | 75,852 | 46,771 | 47,629 | 43,724 | 31,303 | 30,556 | 49,544 | 71,914 | 122,103 |
| Assigned | - | 9,796 | 16,449 | 19,152 | 11,917 | 9,634 | 4,853 | - | - | 12,441 |
| Unassigned | - | - | - | - | - | - | - | (4,608) | (2,149) | - |
| Total all other governmental funds | \$102,399 | \$97,441 | \$74,954 | \$78,485 | \$67,404 | \$52,832 | \$ 47,925 | \$ 57,342 | \$ 82,462 | \$148,806 |

* The increase in fund balance for FY 2010 was related to receipt of ARRA funded projects.

2010 fund balances are not comparable to 2011 and subsequent years due to the adoption of GASB 54.

CHEROKEE NATION

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS (Dollars in Thousands)

(modified accrual basis of accounting)

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|--|------------------|-------------------|----------------|--------------------|------------------|--------------------|-----------------|-----------------|------------------|------------------|
| Revenues | | | | | | | | | | |
| Intergovernmental | \$289,094 | \$285,686 | \$285,150 | \$284,143 | \$290,204 | \$300,277 | \$318,043 | \$317,121 | \$334,956 | \$395,874 |
| Property rentals | 4,432 | 4,136 | 4,255 | 691 | 956 | 801 | 895 | 957 | 1,029 | 747 |
| Motor fuel tax revenues | 7,256 | 7,543 | 7,435 | 7,615 | 7,733 | 8,008 | 8,209 | 8,488 | 9,038 | 10,945 |
| Tax, license and fees | 17,840 | 18,840 | 19,799 | 20,490 | 32,456 | 35,367 | 35,923 | 35,702 | 37,009 | 40,509 |
| Interest | 2,784 | 2,129 | 1,738 | 1,552 | 1,336 | 1,262 | 1,484 | 2,036 | 3,910 | 8,987 |
| Trust fund income | 101 | 105 | 127 | 96 | 21 | - | - | - | - | - |
| Litigation settlement | - | - | - | - | - | 1,839 | 8,349 | - | 8,272 | - |
| Dividends from component units | 26,429 | 30,074 | 56,806 | 44,109 | 47,392 | 45,448 | 50,139 | 49,444 | 55,983 | 60,734 |
| Third party revenues | 60,571 | 72,077 | 74,743 | 82,250 | 94,175 | 105,414 | 106,161 | 128,154 | 142,670 | 157,029 |
| Income from HACN | 1,425 | 1,500 | 1,945 | - | - | - | - | - | - | - |
| Other | 8,791 | 9,686 | 8,929 | 8,488 | 9,513 | 12,679 | 12,127 | 14,645 | 14,542 | 35,889 |
| Total revenues | 418,723 | 431,776 | 460,927 | 449,434 | 483,786 | 511,095 | 541,330 | 556,547 | 607,409 | 710,714 |
| Expenditures | | | | | | | | | | |
| Tribal Government | 28,105 | 28,518 | 27,259 | 26,634 | 25,093 | 26,532 | 29,421 | 29,679 | 31,806 | 43,274 |
| Health Services | 201,773 | 220,201 | 236,307 | 246,947 | 259,612 | 289,789 | 293,368 | 305,159 | 324,510 | 331,859 |
| Education Services | 53,455 | 51,893 | 52,866 | 55,982 | 59,587 | 64,426 | 68,420 | 67,286 | 66,540 | 70,656 |
| Human Services | 37,625 | 38,315 | 37,829 | 39,761 | 40,738 | 42,514 | 45,167 | 46,725 | 48,435 | 58,997 |
| Community Services | 74,971 | 67,109 | 67,289 | 71,351 | 81,932 | 84,513 | 84,919 | 80,008 | 78,817 | 87,916 |
| Debt service | | | | | | | | | | |
| Principal | 2,148 | 3,710 | 3,630 | 3,525 | 3,475 | 3,555 | 2,400 | 13,760 | 1,600 | 12,822 |
| Interest | 1,251 | 1,699 | 1,567 | 1,435 | 1,301 | 1,168 | 1,058 | 1,129 | 2,385 | 4,794 |
| Capital outlay | 7,489 | 22,853 | 33,620 | 20,797 | 17,996 | 12,386 | 16,217 | 36,270 | 82,424 | 75,317 |
| Total expenditures | 406,817 | 434,298 | 460,367 | 466,432 | 489,734 | 524,883 | 540,970 | 580,016 | 636,517 | 685,635 |
| Excess (deficiency) of revenues over expenditures | 11,906 | (2,522) | 560 | (16,998) | (5,948) | (13,788) | 360 | (23,469) | (29,108) | 25,079 |
| Other Financing Sources (Uses) | | | | | | | | | | |
| Issuance of long-term debt | 24,000 | - | - | - | - | - | 2,511 | 32,660 | 71,700 | 63,130 |
| Insurance recoveries | 399 | 122 | 165 | 37 | 278 | 102 | 212 | 159 | 75 | 28 |
| Transfers in | 21,191 | 8,587 | 18,434 | 19,521 | 10,772 | 6,878 | 8,760 | 19,692 | 16,083 | 26,119 |
| Transfers out | (21,699) | (9,393) | (19,077) | (19,718) | (11,162) | (8,638) | (9,926) | (21,373) | (17,750) | (26,768) |
| Total other financing sources (uses) | 23,891 | (684) | (478) | (160) | (112) | (1,658) | 1,557 | 31,138 | 70,108 | 62,509 |
| Special Item: | | | | | | | | | | |
| Proceeds from settlement | - | - | - | - | 24,860 | - | - | - | - | - |
| Net change in fund balances | \$ 35,797 | \$ (3,206) | \$ 82 | \$ (17,158) | \$ 18,800 | \$ (15,446) | \$ 1,917 | \$ 7,669 | \$ 41,000 | \$ 87,588 |
| Debt service as a percentage of noncapital expenditures | 0.85% | 1.31% | 1.22% | 1.11% | 1.01% | 0.92% | 0.66% | 2.74% | 0.72% | 2.89% |

CHEROKEE NATION

GOVERNMENTAL ACTIVITIES - MOTOR VEHICLE TAX REGISTRATIONS LAST TEN FISCAL YEARS

| <u>Year</u> | <u>Motor Vehicle Registrations</u> | <u>Boat/ Motor Registrations</u> | <u>Total All Registrations</u> |
|-------------|--|--|--|
| 2019 | 41,679 | 1,411 | 43,090 |
| 2018 | 39,888 | 1,556 | 41,444 |
| 2017 | 40,234 | 1,535 | 41,769 |
| 2016 | 37,835 | 1,573 | 39,408 |
| 2015 | 35,946 | 1,299 | 37,245 |
| 2014 | 29,507 | 1,188 | 30,695 |
| 2013 | 23,318 | 941 | 24,259 |
| 2012 | 22,192 | 912 | 23,104 |
| 2011 | 21,203 | 771 | 21,974 |
| 2010 | 19,322 | 651 | 19,973 |

Source: Cherokee Nation Tax Commission

CHEROKEE NATION

GENERAL GOVERNMENTAL REVENUES BY SOURCE (GAAP BASIS) LAST TEN FISCAL YEARS (Dollars in Thousands)

| <u>Fiscal Year</u> | <u>Charges for Services</u> | <u>Operating Grants & Contributions</u> | <u>Capital Grants & Contributions</u> | <u>Motor Fuel Tax</u> | <u>Motor Vehicle Tax</u> | <u>Other Tax Revenues</u> | <u>Unrestricted Grants & Contributions</u> | <u>Investment Earnings</u> | <u>Dividends from Component Units</u> | <u>Litigation Settlement</u> | <u>Miscellaneous</u> | <u>Total</u> |
|--------------------|-----------------------------|---|---|-----------------------|--------------------------|---------------------------|--|----------------------------|---------------------------------------|------------------------------|----------------------|--------------|
| 2019 | \$ 213,153 | \$ 391,164 | \$ 26,285 | \$ 10,945 | \$ 16,766 | \$ 18,884 | \$ 12,776 | \$ 7,433 | \$ 60,734 | \$ - | \$ 7,934 | \$ 766,074 |
| 2018 | 214,886 | 333,446 | 1,141 | 9,038 | 15,867 | 16,447 | 11,292 | 3,177 | 55,983 | 36 | 7,280 | 668,593 |
| 2017 | 174,521 | 315,952 | 7,347 | 8,488 | 15,074 | 16,360 | 12,122 | 1,615 | 49,444 | 8,236 | 6,241 | 615,400 |
| 2016 | 159,714 | 311,972 | 17,046 | 8,209 | 14,680 | 17,257 | 14,494 | 726 | 50,139 | 8,349 | 6,040 | 608,626 |
| 2015 | 141,069 | 296,053 | 36,954 | 8,008 | 13,638 | 17,871 | 12,740 | 533 | 45,448 | 1,839 | 6,552 | 580,705 |
| 2014 | 151,284 | 283,024 | 2,054 | 7,733 | 11,654 | 16,972 | 12,503 | 635 | 47,392 | - | 5,695 | 538,946 |
| 2013 | 136,750 | 277,312 | 5,036 | 7,615 | 9,641 | 6,994 | 12,844 | 864 | 44,109 | - | 3,921 | 505,086 |
| 2012 | 78,989 | 283,446 | 366 | 7,435 | 8,960 | 7,054 | 11,676 | 1,142 | 56,806 | - | 6,327 | 462,201 |
| 2011 | 75,773 | 283,563 | 1,369 | 7,543 | 8,441 | 6,895 | 13,394 | 1,395 | 30,074 | - | 5,360 | 433,807 |
| 2010 | 64,882 | 289,034 | 989 | 7,256 | 7,707 | 6,508 | 11,143 | 2,059 | 26,429 | - | 5,483 | 421,490 |

2010 through 2012 revenue sources are not comparable to 2013 and subsequent years due to the adoption of GASB 61.

The Nation does not assess property taxes or receive property taxes assessed on its behalf by any other governmental unit. Consequently, many of the statistical schedules usually found in a comprehensive annual financial report are not applicable to the Nation.

CHEROKEE NATION

GENERAL GOVERNMENTAL EXPENSES BY FUNCTION (GAAP BASIS)

LAST TEN FISCAL YEARS (Dollars in Thousands)

| <u>Fiscal Year</u> | <u>Tribal Government</u> | <u>Health Services</u> | <u>Education Services</u> | <u>Human Services</u> | <u>Community Services</u> | <u>Interest on Long Term Debt</u> | <u>Tsa-La-Gi Apartments</u> | <u>Title VI</u> | <u>CN Sanitary Landfill</u> | <u>EDTA</u> | <u>Total</u> |
|--------------------|--------------------------|------------------------|---------------------------|-----------------------|---------------------------|-----------------------------------|-----------------------------|-----------------|-----------------------------|-------------|--------------|
| 2019 | \$ 44,454 | \$ 339,118 | \$ 71,235 | \$ 59,403 | \$ 89,261 | \$ 4,794 | \$ 544 | \$ 2 | \$ 2,398 | \$ 269 | \$ 611,478 |
| 2018 | 33,171 | 333,037 | 66,958 | 48,750 | 79,903 | 2,385 | 655 | 33 | 2,184 | 250 | 567,326 |
| 2017 | 41,010 | 311,892 | 65,666 | 46,048 | 78,290 | 943 | 651 | 45 | 2,329 | 55 | 546,929 |
| 2016 | 32,382 | 303,202 | 68,678 | 45,461 | 85,626 | 1,046 | 523 | 51 | 320 | 17 | 537,306 |
| 2015 | 27,535 | 300,161 | 65,059 | 42,996 | 88,575 | 1,140 | 488 | 57 | - | 155 | 526,166 |
| 2014 | 26,464 | 266,606 | 59,753 | 40,917 | 82,796 | 1,274 | 488 | 70 | - | 232 | 478,600 |
| 2013 | 28,885 | 256,465 | 57,076 | 40,432 | 72,344 | 1,414 | 492 | 124 | - | 124 | 457,356 |
| 2012 | 29,428 | 244,547 | 54,061 | 38,575 | 68,391 | 1,569 | 473 | 190 | 16 | 46 | 437,296 |
| 2011 | 29,678 | 224,634 | 52,348 | 38,588 | 63,814 | 1,722 | 459 | 302 | 154 | 67 | 411,766 |
| 2010 | 29,841 | 206,013 | 54,085 | 37,932 | 75,600 | 1,309 | 387 | 469 | 128 | 47 | 405,811 |

CHEROKEE NATION

OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS (Dollars in Thousands)

| Fiscal Year | Governmental Activities | | | Business-type Activities | | Total Primary Government | Percentage of Personal Income* | Per each one* |
|-------------|-------------------------|------------|----------------|--------------------------|----------------|--------------------------|--------------------------------|---------------|
| | Bonds | Term Loans | Capital Leases | Term Loans | Capital Leases | | | |
| 2019 | \$ - | \$168,112 | \$ - | \$ 869 | \$ 362 | \$ 169,343 | 3.77% | \$ 1,483 |
| 2018 | - | 117,804 | - | 1,399 | 584 | 119,787 | 2.83% | 1,066 |
| 2017 | - | 47,704 | - | 3,081 | 802 | 51,587 | 1.27% | 457 |
| 2016 | 12,160 | 16,644 | - | 4,651 | 1,016 | 34,471 | 0.75% | 283 |
| 2015 | 12,960 | 15,733 | - | 6,432 | - | 35,125 | 0.89% | 319 |
| 2014 | 14,915 | 17,333 | - | 8,287 | - | 40,535 | 1.08% | 378 |
| 2013 | 16,790 | 18,933 | - | 9,976 | - | 45,699 | 1.28% | 433 |
| 2012 | 18,585 | 20,925 | 130 | 13,349 | - | 52,989 | 1.59% | 514 |
| 2011 | 20,310 | 23,098 | 435 | 15,301 | - | 59,144 | 1.50% | 495 |
| 2010 | 21,970 | 25,406 | 729 | 18,169 | - | 66,274 | 1.86% | 566 |

Note: Details regarding the Nation's outstanding debt can be found in the notes to basic financial statements

* See Demographic and Economic Statistics for personal income, population, and per each one data.

CHEROKEE NATION

PLEDGED-REVENUE COVERAGE

LAST TEN FISCAL YEARS (Dollars in Thousands)

| | | Health Revenue Bonds | | | | | | |
|----------------|----|----------------------|------------|------------|-----------------|---------------|----------|----------|
| Fiscal Year | | Beginning | Revenues | Less: | Ending | Debt Service* | | Coverage |
| | | Fund Balance | | Expenses | Fund Balance | Principal | Interest | |
| 2019 | ** | \$ 61,955 | \$ 390,509 | \$ 342,658 | \$ 109,806 | \$ - | \$ - | - |
| 2018 | ** | 38,653 | 334,945 | 311,643 | 61,955 | - | - | - |
| 2017 | ** | 22,843 | 296,354 | 280,544 | 38,653 | - | - | - |
| 2016 | | 24,083 | 267,448 | 268,688 | 22,843 | 800 | 577 | 16.59 |
| 2015 | | 34,877 | 261,698 | 272,492 | 24,083 | 1,955 | 636 | 9.29 |
| 2014 | | 36,545 | 253,210 | 254,878 | 34,877 | 1,875 | 718 | 13.45 |
| 2013 | | 34,076 | 227,368 | 224,899 | 36,545 | 1,795 | 797 | 14.10 |
| 2012 | | 45,581 | 216,326 | 227,831 | 34,076 | 1,725 | 871 | 13.13 |
| 2011 | | 43,820 | 211,620 | 209,859 | 45,581 | 1,660 | 940 | 17.53 |
| 2010 | | 39,572 | 200,767 | 196,519 | 43,820 | 1,595 | 1,007 | 16.84 |

Note: * Debt service coverage is based upon fund balance generated from Health Care System Operations.
 ** Bonds were called in FY 2017, therefore, coverage can only be reported on years prior to the call of the bonds.

CHEROKEE NATION

DEMOGRAPHIC AND ECONOMIC STATISTICS LAST TEN FISCAL YEARS

| <u>Year</u> | <u>Population**</u> | <u>Personal Income*** (Dollars in Thousands)</u> | <u>Per Each One Personal Income****</u> | <u>Unemployment Rate*****</u> |
|-------------|---------------------|--|---|-----------------------------------|
| 2019 * | 1,211,949 | \$ 4,496,132 | \$ 39,372 | 3.2 |
| 2018 * | 1,208,644 | 4,239,328 | 37,741 | 3.1 |
| 2017 * | 1,205,109 | 4,061,803 | 36,007 | 4.3 |
| 2016 * | 1,199,601 | 4,615,769 | 37,879 | 5.3 |
| 2015 * | 1,188,464 | 3,947,473 | 35,795 | 4.4 |
| 2014 * | 1,180,608 | 3,746,498 | 34,926 | 4.2 |
| 2013 * | 1,172,064 | 3,569,576 | 33,789 | 5.4 |
| 2012 * | 1,168,624 | 3,340,215 | 32,406 | 5.2 |
| 2011 * | 1,167,294 | 3,947,252 | 33,015 | 5.9 |
| 2010 * | 1,155,961 | 3,755,250 | 31,745 | 6.9 |

Source: Oklahoma State Data Center - Oklahoma Department of Commerce
US Department of Labor: Bureau of Labor Statistics Data

Notes:

* Estimate projected based on previous trends by Cherokee Nation Financial Resources Department

** Population data for Counties within the Cherokee Nation Jurisdictional Boundaries

*** Personal income information from the Bureau of Economic Analysis

**** Per each one personal income information from Oklahoma State Data Center - OK Dept of Commerce

***** Unemployment Rate September period rate from the Bureau of Labor Statistics Data

CHEROKEE NATION

PRINCIPAL EMPLOYERS

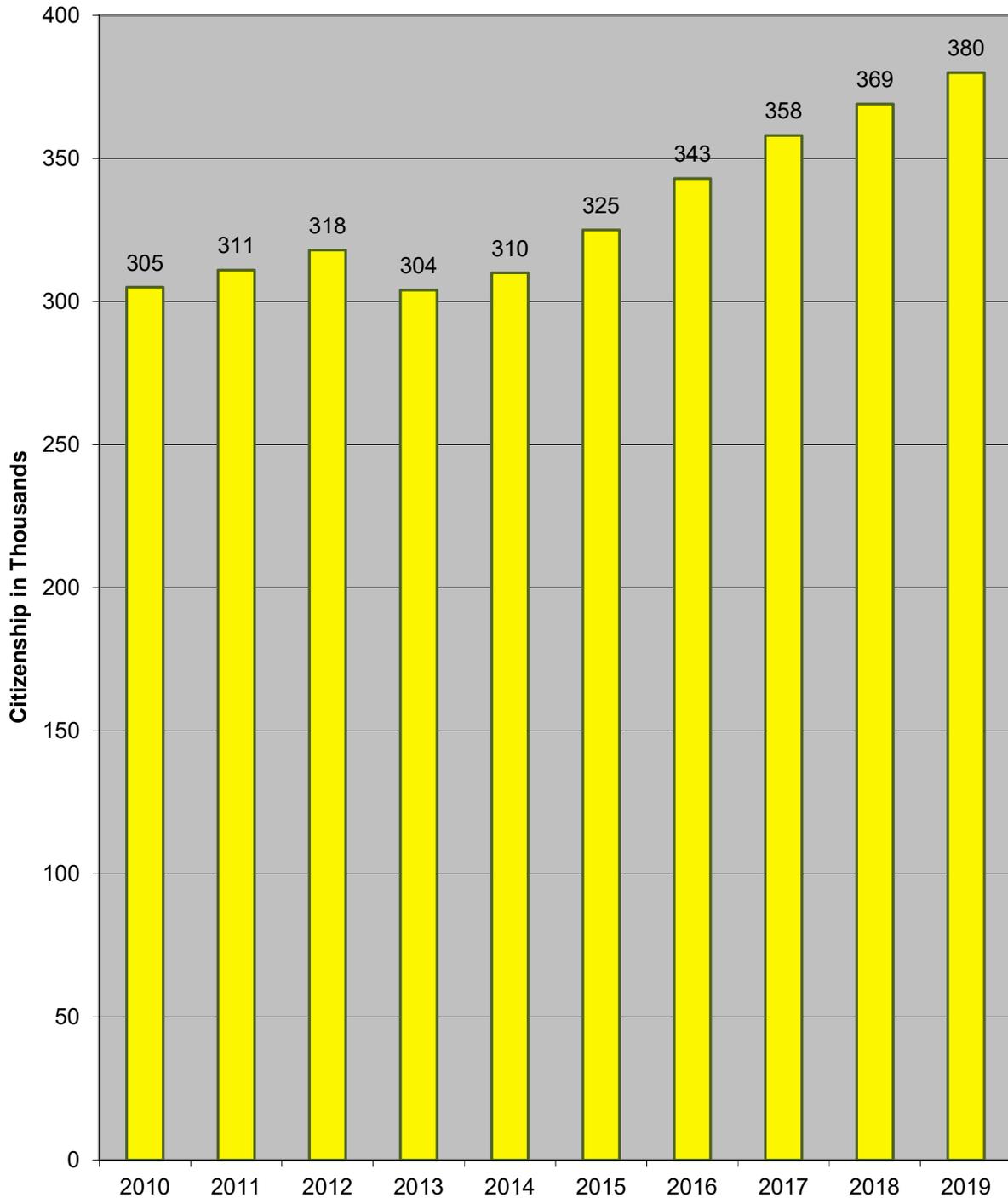
CURRENT YEAR AND NINE YEARS AGO

| Employer | 2010 | | | 2019 | | |
|--|---------------|------|------------------------|---------------|------|------------------------|
| | Employees | Rank | Percentage | Employees | Rank | Percentage |
| | | | of Total Employment | | | of Total Employment |
| American Airlines & AA | 7,000 | 2 | 11.89% | 5,050 | 2 | 19.69% |
| Baker Hughes | - | - | 0.00% | 1,150 | 8 | 4.48% |
| Cherokee Nation * | 6,250 | 3 | 10.61% | 8,700 | 1 | 33.92% |
| Claremore City Schools | 750 | 7 | 1.27% | - | - | 0.00% |
| Conoco Phillips | 4,375 | 4 | 7.43% | - | - | 0.00% |
| IC of Oklahoma LLC/IC Bus | - | - | 0.00% | 1,150 | 9 | 4.48% |
| Melton Truck Lines Inc. | - | - | 0.00% | 1,550 | 5 | 6.05% |
| Mid-Western Aircraft Systems Inc | - | - | 0.00% | 1,350 | 7 | 5.26% |
| Labinal Inc | 500 | 10 | 0.85% | - | - | 0.00% |
| NORDAM Group Inc | 1,437 | 5 | 2.45% | 1,750 | 4 | 6.82% |
| Northeastern Oklahoma State University | 1,250 | 6 | 2.12% | 1,150 | 10 | 4.48% |
| Reasors LLC/Reasor's Stores | - | - | 0.00% | 2,250 | 3 | 8.77% |
| State of Oklahoma | 36,000 | 1 | 61.13% | - | - | 0.00% |
| Tahlequah School District | 625 | 9 | 1.06% | - | - | 0.00% |
| Verizon (formerly MCI) | 700 | 8 | 1.19% | - | - | 0.00% |
| Whirlpool Corporation | - | - | 0.00% | 1,550 | 6 | 6.05% |
| | <u>58,887</u> | | <u>100%</u> | <u>25,650</u> | | <u>100%</u> |

Source: Oklahoma Department of Commerce, Avention

*Including component units

**CHEROKEE NATION
Tribal Citizenship**



Source: Tribal Registration Department

In Fiscal Year 2013, the Nation purchased the Social Security Death Index listing. The decline in Tribal Citizenship growth is attributable to the removal of citizens identified as deceased via the Index.

CHEROKEE NATION

TRIBAL CITIZENSHIP BY DISTRICT LAST TEN FISCAL YEARS

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|--------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| District* | | | | | | | | | | |
| Cherokee | 18,688 | 19,120 | 19,830 | 20,443 | 20,368 | 21,912 | 22,278 | 23,062 | 24,193 | 24,769 |
| Craig | 7,427 | 7,431 | 7,515 | 7,823 | 7,697 | 8,058 | 8,320 | 8,848 | 8,612 | 8,640 |
| Delaware | 10,946 | 11,311 | 11,587 | 12,657 | 12,783 | 13,330 | 14,113 | 14,526 | 14,977 | 15,343 |
| Keeler | 14,666 | 14,698 | 14,947 | 15,300 | 15,055 | 15,931 | 16,638 | 17,454 | 18,210 | 18,866 |
| Mayes | 11,843 | 12,069 | 12,284 | 11,987 | 11,367 | 11,754 | 12,346 | 12,674 | 12,828 | 13,024 |
| Sequoyah | 13,769 | 13,893 | 14,189 | 14,204 | 13,945 | 14,583 | 15,109 | 15,550 | 20,465 | 16,337 |
| Three Rivers | 16,478 | 16,594 | 16,832 | 8,642 | 9,027 | 8,718 | 9,259 | 9,459 | 9,501 | 9,640 |
| Trail of Tears | 12,877 | 13,110 | 13,318 | 12,987 | 13,075 | 13,726 | 14,043 | 14,321 | 14,425 | 14,305 |
| Will Rogers | 9,270 | 9,755 | 10,237 | 15,266 | 15,607 | 16,704 | 23,022 | 17,648 | 18,251 | 18,361 |
| Other | 189,011 | 193,271 | 197,088 | 184,895 | 191,474 | 199,946 | 207,934 | 224,530 | 227,591 | 240,799 |
| Total Citizenship | <u>304,975</u> | <u>311,252</u> | <u>317,827</u> | <u>304,204</u> | <u>310,398</u> | <u>324,662</u> | <u>343,062</u> | <u>358,072</u> | <u>369,053</u> | <u>380,084</u> |

Source: Tribal Registration Department

* The Nation currently has a 15 district map of the Nation's jurisdictional areas. For comparative purposes, the distribution of the Nation's citizenship is shown in the original nine district breakout. Reports have been compiled similarly to prior years' reporting to maintain consistency.

CHEROKEE NATION

TRIBAL LAND BASE (ACRES) BY COUNTY FOR THE YEAR ENDED SEPTEMBER 30, 2019

| County | Tribal Land | Government Land | Restricted Individual | Total Acres |
|---|---------------|-----------------|-----------------------|----------------|
| <u>Cherokee Nation:</u> | | | | |
| Oklahoma: | | | | |
| Adair | 14,962 | 19 | 10,271 | 25,252 |
| Cherokee | 2,201 | 97 | 9,439 | 11,737 |
| Craig | 327 | - | 1,843 | 2,170 |
| Delaware | 25,094 | 10 | 6,503 | 31,607 |
| McIntosh | - | - | 596 | 596 |
| Mayes | 373 | 10 | 5,364 | 5,747 |
| Muskogee | 500 | - | 2,342 | 2,842 |
| Nowata | 38 | - | 610 | 648 |
| Ottawa | - | - | 79 | 79 |
| Rogers | 536 | 10 | 801 | 1,347 |
| Sequoyah | 3,295 | 40 | 5,623 | 8,958 |
| Tulsa | 47 | - | 204 | 251 |
| Wagoner | - | - | 225 | 225 |
| Washington | 240 | - | 1,719 | 1,959 |
| Arkansas Riverbed | 14,715 | - | - | 14,715 |
| <u>Counties Outside Territorial Boundaries:</u> | | | | |
| Oklahoma: | | | | |
| Kay | 4,230 | - | - | 4,230 |
| Atoka | 10 | - | - | 10 |
| Choctaw | 40 | - | - | 40 |
| Pittsburg | 10 | - | - | 10 |
| Stephens | 80 | - | - | 80 |
| Texas: | | | | |
| Red River | 630 | - | - | 630 |
| Dallas | 5 | - | - | 5 |
| Paris | 66 | - | - | 66 |
| Total | <u>67,399</u> | <u>186</u> | <u>45,619</u> | <u>113,204</u> |

Source: Cherokee Nation Real Estate Services

CHEROKEE NATION

PRIMARY GOVERNMENT EMPLOYEES BY FUNCTION LAST TEN FISCAL YEARS

Regular full-time employees only

| | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> |
|--------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Function: | | | | | | | | | | |
| Tribal Government | 466 | 481 | 472 | 489 | 509 | 576 | 583 | 602 | 569 | 578 |
| Health Services | 1,039 | 1,112 | 1,198 | 1,270 | 1,315 | 1,392 | 1,489 | 1,519 | 1,557 | 1,670 |
| Education Services | 474 | 460 | 444 | 442 | 444 | 433 | 430 | 422 | 421 | 464 |
| Human Services | 313 | 322 | 328 | 328 | 335 | 339 | 365 | 360 | 346 | 363 |
| Community Services | 441 | 432 | 428 | 296 | 304 | 297 | 271 | 238 | 230 | 230 |
| Total | <u>2,733</u> | <u>2,807</u> | <u>2,870</u> | <u>2,825</u> | <u>2,907</u> | <u>3,037</u> | <u>3,138</u> | <u>3,141</u> | <u>3,123</u> | <u>3,305</u> |

Source: Financial Resources Department

CHEROKEE NATION

**OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS**

| Function/Program | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Health Services | | | | | | | | | | |
| Ambulatory care visits | 328,574 | 363,112 | 369,957 | 382,614 | 413,862 | 423,902 | 488,074 | 568,663 | 552,475 | 570,896 |
| Dental patient visits | 43,914 | 30,806 | 55,402 | 61,274 | 68,637 | 74,604 | 80,996 | 94,287 | 71,062 | 83,234 |
| Pharmacy patient visits | 247,299 | 307,394 | 379,191 | 435,855 | 484,595 | 480,390 | 609,490 | 649,103 | 672,726 | 697,311 |
| Pharmacy prescription filled | 1,086,505 | 1,461,526 | 1,678,692 | 1,828,359 | 1,927,395 | 1,961,582 | 1,686,360 | 1,716,535 | 2,405,316 | 1,744,951 |
| Education Services | | | | | | | | | | |
| Higher Education applications received | 2,980 | 3,158 | 3,828 | 3,287 | 3,846 | 4,272 | 4,963 | 5,109 | 5,617 | 5,552 |
| Higher Education applications funded | 2,768 | 3,033 | 2,447 | 3,065 | 3,430 | 3,805 | 4,167 | 4,325 | 4,537 | 5,626 |
| Head Start students | 384 | 344 | 324 | 305 | 145 | 182 | 152 | 146 | 145 | 141 |
| Immersion Class students | 47 | 56 | 100 | 105 | 117 | 104 | 101 | 130 | 134 | 134 |
| Sequoyah High School students | 395 | 342 | 284 | 379 | 375 | 366 | 374 | 388 | 367 | 370 |
| Human Services | | | | | | | | | | |
| Child Care children served through subsidy | 3,333 | 3,724 | 3,230 | 3,040 | 3,150 | 2,430 | 2,541 | 2,715 | 2,563 | 2,604 |
| Child Care contracted providers | 725 | 614 | 622 | 546 | 404 | 529 | 529 | 504 | 428 | 402 |
| Child Care technical assistance calls and visits | 3,961 | 2,886 | 1,967 | 1,965 | 1,799 | 1,001 | 925 | 941 | 907 | 851 |
| Child Care monitoring visits to caregivers | 1,031 | 1,020 | 1,038 | 1,001 | 1,000 | 982 | 1,194 | 1,320 | 1,274 | 1,396 |
| Food Distribution - individuals served | 121,788 | 104,926 | 110,394 | 109,579 | 127,757 | 133,190 | 139,211 | 135,602 | 130,033 | 121,594 |
| Food Distribution - households served | 49,640 | 52,087 | 47,582 | 47,428 | 55,414 | 59,339 | 62,505 | 62,173 | 60,859 | 58,644 |
| Elder Service Advocacy individuals served | 640 | 572 | 252 | 279 | 329 | 703 | 1,311 | 1,504 | 1,675 | 1,523 |
| Community Services | | | | | | | | | | |
| Roads/bridges project miles completed | 133.15 | 50.95 | 72.82 | 51.49 | 68.84 | 71.77 | 77.81 | 78.19 | 56.56 | 60.04 |
| Transit rides | 3,548 | 15,580 | 38,189 | 44,912 | 67,346 | 109,132 | 93,446 | 102,148 | 107,712 | 115,389 |
| Families served through rental assistance | 1,549 | 1,366 | 1,929 | 2,189 | 1,880 | 2,673 | 2,554 | 1,939 | 1,727 | 1,654 |
| Families subsidized in Title VI units | 274 | 274 | 268 | 238 | 240 | 234 | 221 | 197 | 195 | 194 |
| Rehabilitation of privately owned homes | 315 | 346 | 379 | 609 | 629 | 610 | 295 | 477 | 536 | 197 |
| Acquired or constructed individual homes for low-income families | 14 | 9 | 40 | 38 | 29 | 158 | 277 | 161 | 56 | 73 |
| Businesses funded through Commerce programs | 28 | 53 | 20 | 28 | 18 | 24 | 41 | 46 | 36 | 28 |
| Participants enrollments in IDA/YIDA | 104 | 131 | 130 | 146 | 210 | 453 | 465 | 447 | 500 | 321 |

Source: Departments/programs as listed

CHEROKEE NATION

CAPITAL ASSET UTILIZATION BY FUNCTION

PRIMARY GOVERNMENT

LAST TEN FISCAL YEARS

(Net of Depreciation, Dollars in Thousands)

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|----------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Governmental activities: | | | | | | | | | | |
| Tribal Government | \$ 40,956 | \$ 42,732 | \$ 43,950 | \$ 49,706 | \$ 52,295 | \$ 52,873 | \$ 65,734 | \$ 98,370 | \$174,880 | \$250,128 |
| Health Services | 46,134 | 60,260 | 84,086 | 88,522 | 95,747 | 131,097 | 136,691 | 134,891 | 129,037 | 122,031 |
| Education Services | 9,968 | 10,323 | 10,124 | 10,067 | 9,698 | 9,302 | 8,963 | 8,661 | 8,286 | 8,052 |
| Human Services | 1,173 | 1,111 | 1,502 | 6,205 | 6,152 | 5,891 | 5,661 | 5,432 | 5,342 | 5,364 |
| Community Services | 3,336 | 5,137 | 6,947 | 4,555 | 4,288 | 5,192 | 4,442 | 3,396 | 3,887 | 4,368 |
| Governmental activities, net | <u>\$101,567</u> | <u>\$119,563</u> | <u>\$146,609</u> | <u>\$159,055</u> | <u>\$168,180</u> | <u>\$204,355</u> | <u>\$221,491</u> | <u>\$250,750</u> | <u>\$321,432</u> | <u>\$389,943</u> |
| Business-type activities: | | | | | | | | | | |
| Enterprise Funds | \$ 645 | \$ 588 | \$ 533 | \$ 483 | \$ 435 | \$ 386 | \$ 2,217 | \$ 1,706 | \$ 1,231 | \$ 2,377 |
| Business-type activities, net | <u>\$ 645</u> | <u>\$ 588</u> | <u>\$ 533</u> | <u>\$ 483</u> | <u>\$ 435</u> | <u>\$ 386</u> | <u>\$ 2,217</u> | <u>\$ 1,706</u> | <u>\$ 1,231</u> | <u>\$ 2,377</u> |

Source: Financial Resources Department

CHEROKEE NATION

**CHEROKEE STUDENTS BY DISTRICT
LAST TEN FISCAL YEARS**

| District* | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|--------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Cherokee | 4,622 | 4,681 | 4,882 | 5,025 | 4,733 | 4,248 | 4,833 | 4,930 | 4,671 | 4,833 |
| Craig | 1,378 | 1,341 | 1,325 | 1,341 | 1,314 | 1,312 | 1,403 | 1,319 | 1,287 | 1,316 |
| Delaware | 2,336 | 2,372 | 2,524 | 2,689 | 2,558 | 2,483 | 2,653 | 2,745 | 2,668 | 2,585 |
| Keeler | 1,871 | 1,856 | 2,271 | 2,993 | 5,468 | 5,677 | 6,537 | 6,803 | 7,079 | 7,828 |
| Mayes | 2,199 | 2,321 | 2,387 | 2,411 | 2,456 | 2,489 | 2,554 | 2,619 | 2,668 | 2,598 |
| Sequoyah | 2,109 | 2,158 | 2,540 | 2,534 | 2,518 | 2,475 | 2,584 | 2,665 | 2,580 | 2,584 |
| Three Rivers | 2,851 | 2,936 | 2,850 | 2,948 | 4,007 | 3,797 | 4,087 | 3,975 | 3,951 | 4,120 |
| Trail of Tears | 2,504 | 2,466 | 2,337 | 2,576 | 2,614 | 2,492 | 2,589 | 2,640 | 2,584 | 2,565 |
| Will Rogers | 2,598 | 2,574 | 2,760 | 2,812 | 2,814 | 2,835 | 2,930 | 3,018 | 2,974 | 3,030 |
| Total Cherokee Students | 22,468 | 22,705 | 23,876 | 25,329 | 28,482 | 27,808 | 30,170 | 30,714 | 30,462 | 31,459 |

Counties included in districts:

- Cherokee (Cherokee)
- Craig (Craig/Nowata)
- Delaware (Delaware/Ottawa)
- Keeler (Tulsa/Washington)
- Mayes (Mayes)
- Sequoyah (Sequoyah)
- Three Rivers (Muskogee/Wagoner/McIntosh)
- Trail of Tears (Adair)
- Will Rogers (Rogers)

* The Nation currently has a 15 district map of the Nation's jurisdictional areas. For comparative purposes, the distribution of the Nation's Cherokee students by district is shown in the original nine district breakout. Reports have been compiled similarly to prior years' reporting to maintain consistency.

Source: MVT apportionment