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CHEROKEE NATION®

Tahlequah, Oklahoma



Comprehensive Annual Financial Report

Fiscal Year Ending September 30, 2017





Water is Sacred



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2017 COMPREHENSIVE ANNUAL FINANCIAL REPORT

Prepared by the Financial Resources Department
Cherokee Nation, Tahlequah, Oklahoma



CHEROKEE NATION
 Comprehensive Annual Financial Report
 For the Year Ended September 30, 2017

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Introductory Section





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CHEROKEE NATION[®]
P.O. Box 948 • Tahlequah, OK 74465-0948 • 918-453-5000 • cherokee.org

Office of the Chief

Bill John Baker
Principal Chief
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S. Joe Crittenden
Deputy Principal Chief
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March 29, 2018

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, 2017. 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, 2017.

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 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 9,234 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 Bill John Baker. The Deputy Principal Chief, currently S. Joe Crittenden, 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. The Constitution provides for a three member Cabinet: the Treasurer, the Secretary of State and the Secretary of Natural Resources. The Treasurer, currently Lacey A. Horn, 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 Chuck Hoskin, Jr., 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 Sara Hill, advises the Chief on natural resource issues and works to advance the Nation's top environmental strategic priorities.

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 M. Todd Hembree, 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 John C. Garrett. 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," as amended by GASB Statement No. 61, "The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34" 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)
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, 2017 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 2008, the Cherokee Nation primary government has increased its total assets by approximately \$1.1 billion or 281.6%. 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: "Homes, Health, Hope." 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.

The Nation has continued to improve access to healthcare through the construction of new and expanded healthcare facilities funded in part by a \$108 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. It is estimated that when the facility is completed in 2019 that the Nation will receive over \$80 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, 2016. This was the sixteenth 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 2017 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, independent auditors for the Cherokee Nation, for their guidance and technical assistance in completing this CAFR.

Respectfully submitted,



Lacey A. Horn
Treasurer
Cherokee Nation

Cherokee Nation Tribal Officials

EXECUTIVE BRANCH

Bill John Baker
Principal Chief

S. Joe Crittenden
Deputy Principal Chief

LEGISLATIVE BRANCH

Joe Byrd
Speaker
District 2

Victoria Vazquez
Deputy Speaker
District 11

Rex Jordan
District 1

David Walkingstick
District 3

Mike Dobbins
District 4

E.O. "Junior" Smith
District 5

Bryan Warner
District 6

Frankie Hargis
District 7

Shawn Crittenden
District 8

Mike Shambaugh
District 9

Harley Buzzard
District 10

Dick Lay
District 12

Buel Anglen
District 13

Keith Austin
District 14

Janees Taylor
District 15

Mary Baker Shaw
At Large

Wanda Hatfield
At Large

JUDICIAL BRANCH

Supreme Court

John C. Garrett
Chief Justice

James G. Wilcoxon
Justice

Angela Jones
Justice

Lynn Burris
Justice

Mark Dobbins
Justice

District Court

Crystal Jackson
Judge


Luke Barteaux
Judge



Cherokee Nation Organizational Chart

GWJJD D3F
CHEROKEE NATION®



Approval: 
 Bill John Baker, Principal Chief
 9-30-2017
 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, 2016

Christopher P. Morill

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, 2017, 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 14.1% of total assets and 3.7% 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.

Principal Chief and Tribal Council
Cherokee Nation

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

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

Opinions

In our opinion, 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, 2017, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 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 29, 2018

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, 2017. 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 2017 by \$1.2 billion (net position). Of this total amount, \$45.0 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 2017 increased by approximately \$14.2 million to \$260.5 million.

The overall net position increased by \$68.5 million, which is largely attributable to the recognition of income on investment in component units, capital contributions from CNB, and proceeds from a litigation settlement.

The Nation's governmental funds reported total ending fund balance of \$156.7 million at the end of fiscal year 2017. This compares to the prior year ending fund balance of \$149.0 million showing an increase of \$7.7 million during the current year. Unassigned fund balance is \$13.5 million for fiscal year 2017.

At the end of the current fiscal year, unassigned fund balance for the General Fund was \$18.1 million or 17.6% of total General Fund expenditures including transfers out and 17.9% 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 Title VI Loan Fund, Tsa-La-Gi Apartments, 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)
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, Self Governance Department of Interior (DOI) Roads, 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 fourteen nonmajor governmental funds, shown aggregated, including a debt service fund and 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 one major enterprise fund and three nonmajor enterprise funds for presentation purposes. The major fund is the Nation's Title VI Loan Fund. The nonmajor funds are the Nation's Tsa-La-Gi Apartments, CN Sanitary Landfill and Economic Development Trust Authority (EDTA). The nonmajor enterprise combining financial statements can be found on pages 89 - 91 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 92 - 94 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 - 86 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 87.

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 96.

Comparative Analysis for Major Funds

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

Major Fund	2017	2016	Increase/ (Decrease)	Percent Increase/ (Decrease)
General Fund				
Revenues, insurance recoveries and transfers in	\$ 101,029	\$ 110,159	\$ (9,130)	(8.3)%
Expenditures and transfers out	102,777	103,335	(558)	(0.5)%
Fund Balance	99,324	101,072	(1,748)	(1.7)%
Self Governance DOI Roads				
Revenues, insurance recoveries and transfers in	1,736	706	1,030	145.9 %
Expenditures and transfers out	1,736	706	1,030	145.9 %
Fund Balance	-	-	-	0.0 %
Department of Transportation				
Revenues, insurance recoveries and transfers in	7,459	10,798	(3,339)	(30.9)%
Expenditures and transfers out	7,459	10,798	(3,339)	(30.9)%
Fund Balance	-	-	-	0.0 %
Self Governance DHHS				
Revenues, insurance recoveries and transfers in	296,354	267,448	28,906	10.8 %
Expenditures and transfers out	280,544	268,688	11,856	4.4 %
Fund Balance	38,653	22,843	15,810	69.2 %
Housing and Urban Development				
Revenues, insurance recoveries and transfers in	35,131	38,948	(3,817)	(9.8)%
Expenditures and transfers out	34,871	38,835	(3,964)	(10.2)%
Fund Balance	1,050	790	260	32.9 %
Capital Projects Fund				
Revenues and transfers in	36,801	7,511	29,290	390.0 %
Expenditures and transfers out	45,446	12,292	33,154	269.7 %
Fund Balance	(4,608)	4,853	(9,461)	(195.0)%
Title VI Loan Fund				
Revenues and transfers in	46	51	(5)	(9.8)%
Expenses and transfers out	45	51	(6)	(11.8)%
Fund Balance	5	4	1	25.0 %

The General Fund represents the operating activities of the tribal government. The fund balance of the General Fund decreased \$1.7 million during fiscal year 2017. Revenues decreased due to receipt of a litigation settlement in fiscal year 2016 as well as fewer receipts of other income for Career Pathways and TERO Job Training Programs. General Fund received more transfers in of interest from the Self Governance DHHS and Self Governance DOI Other programs during fiscal year 2017 as opposed to fiscal year 2016. Expenditures decreased due to programs such as Career Pathways, Employee Performance Incentive and CN Communities at Large along with fewer transfers out to the Capital Projects Fund.

Self Governance DOI Roads and the Department of Transportation funds did not maintain fund balances at the end of fiscal year 2017. Self Governance DOI Roads experienced an increase in both the revenues and transfers in and expenditures and transfers out due to an increase in the number of

roads being in the major construction phase when compared to the previous year. Department of Transportation saw both the revenues and transfers in and expenditures and transfers out decrease primarily due to the number of road projects currently under construction.

In fiscal year 2017, the Self Governance DHHS fund reported an increase in fund balance of \$15.8 million. Self Governance DHHS revenues and transfers in increased in fiscal year 2017 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 2017 as a result of expenditures for programs such as Contract Health Service, Dental, EHS Projects, Stilwell, Salina and Muskogee Clinics and CN W.W. Hastings Hospital.

The Housing and Urban Development fund had an increase of \$0.3 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 cost containment measures put in place to control spending since the final award amount was received late in the fiscal year.

In fiscal year 2017, the Capital Projects fund reported a decrease in fund balance of \$9.5 million due to timing of loan draws. Capital Projects fund revenues and transfers in increased due to draws on the construction loan for the joint venture outpatient healthcare facility. The Capital Projects fund expenditures and transfers out increased due to the construction of the joint venture outpatient healthcare facility as well as the payoff of the bonds as part of the loan agreement. The construction projects are being funded through internal sources as well as a construction loan associated with the joint venture project to construct a new outpatient healthcare facility.

The fund balance of the Title VI Loan fund increased by \$1.0 thousand in fiscal year 2017. Title VI Loan Fund revenues and transfers in decreased in fiscal year 2017 as compared to fiscal year 2016 due to decreased interest received on lower notes receivable balances. Title VI loan fund expenses and transfers out decreased as a result of lower balances outstanding on the notes payable.

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 \$1.2 billion at the close of the most recent fiscal year. The following table 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				
	2017	2016	2017	2016	2017	2016	
Current and other assets	\$ 1,179,582	\$ 1,122,762	\$ 18,117	\$ 18,072	\$ 1,197,699	\$ 1,140,834	\$ 56,865
Capital assets	<u>250,750</u>	<u>221,491</u>	<u>1,706</u>	<u>2,217</u>	<u>252,456</u>	<u>223,708</u>	<u>28,748</u>
Total assets	<u>1,430,332</u>	<u>1,344,253</u>	<u>19,823</u>	<u>20,289</u>	<u>1,450,155</u>	<u>1,364,542</u>	<u>85,613</u>
Deferred outflows of resources	<u>381</u>	<u>3,296</u>	<u>-</u>	<u>-</u>	<u>381</u>	<u>3,296</u>	<u>(2,915)</u>
Long-term debt outstanding	47,704	28,804	3,883	5,667	51,587	34,471	17,116
Other liabilities	<u>200,838</u>	<u>208,643</u>	<u>3,407</u>	<u>3,143</u>	<u>204,245</u>	<u>211,786</u>	<u>(7,541)</u>
Total liabilities	<u>248,542</u>	<u>237,447</u>	<u>7,290</u>	<u>8,810</u>	<u>255,832</u>	<u>246,257</u>	<u>9,575</u>
Deferred inflows of resources	<u>4,652</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,652</u>	<u>-</u>	<u>4,652</u>
Net investment in capital assets	203,046	192,687	904	1,201	203,950	193,888	10,062
Restricted	940,814	876,372	287	287	941,101	876,659	64,442
Unrestricted	<u>33,659</u>	<u>41,043</u>	<u>11,342</u>	<u>9,991</u>	<u>45,001</u>	<u>51,034</u>	<u>(6,033)</u>
Total net position	<u>\$ 1,177,519</u>	<u>\$ 1,110,102</u>	<u>\$ 12,533</u>	<u>\$ 11,479</u>	<u>\$ 1,190,052</u>	<u>\$ 1,121,581</u>	<u>\$ 68,471</u>

The largest portion of the Nation's net position (79.1%) represents resources that are subject to external restrictions on how they may be used. An additional portion of the Nation's net position (17.1%) 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 \$45.0 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, 2017, 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 \$68.5 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 \$68.5 million, approximately 6.5% less than the prior year increase of \$73.2 million, for an ending balance of \$1.2 billion. The governmental activities and business-type activities had increases of \$67.4 million and \$1.1 million, respectively.

The Nation's total revenues increased 1.1% to \$615.4 million in fiscal year 2017. Program revenue generated \$497.8 million, consisting of charges for services, federal and state grants, and other contributions, up from \$488.7 million from the prior fiscal year. Capital grants and contributions revenue decreased \$9.7 million in capital contributions related primarily to the timing of construction of new and expanded healthcare facilities to improve access to healthcare throughout the Nation.

Motor vehicle tax, the largest increase of the general revenues, increased \$0.4 million as a result of the expansion of the compact with the State of Oklahoma to include all tribal citizens within the state known as "At-Large" area, which is outside of the Nation's reservation.

Expenses for the primary government increased 1.4% or \$7.5 million to \$543.8 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 \$8.6 million (26.6%). This increase is due to increases for programs such as Cherokee Language Curriculum, Charitable Contributions, Housing Accessibility, Adult Language Program, Community Technical Assistance and the Fringe Pool.

Health services expenses increased \$8.7 million (2.9%) due to Contract Health Service, Dental, Diabetes programs, Stilwell and Muskogee Clinics and CN W.W. Hastings Hospital.

Human services expenses increased \$0.6 million (1.3%). This increase is attributed to increases for programs such as Self Governance General Assistance, Community Youth Grant Program, Family Preservation Support and PL 102-477 Child Care.

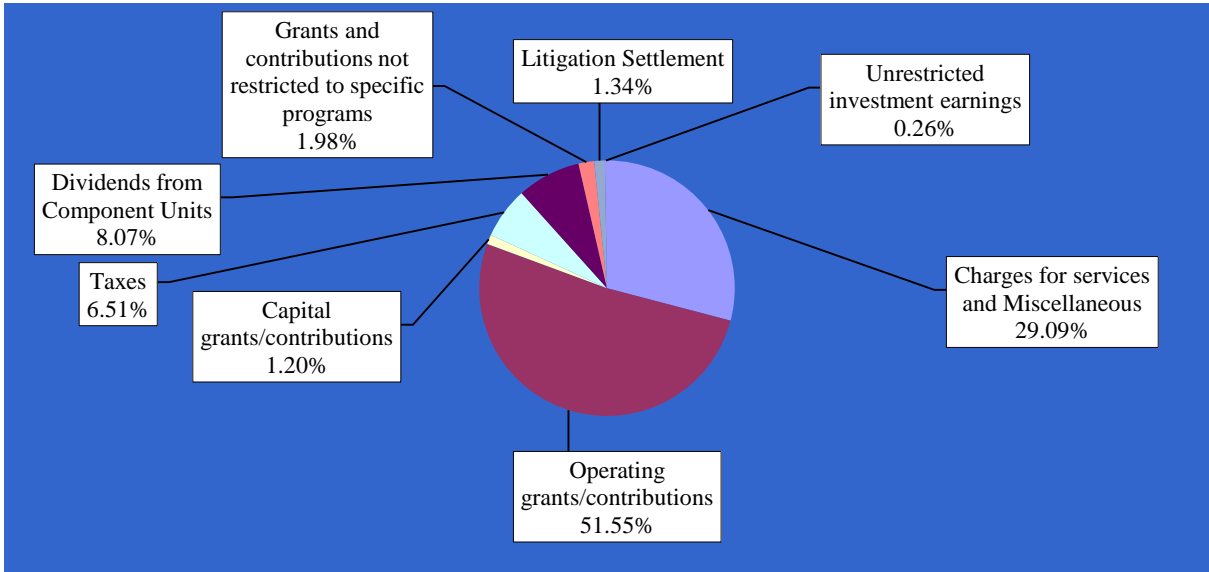
The changes in net position during 2017 are as follows (dollars in thousands):

Cherokee Nation's Changes in Net Position

	Governmental		Business-Type		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 172,040	\$ 158,463	\$ 2,481	\$ 1,251	\$ 174,521	\$ 159,714
Operating grants/contributions	315,952	311,972	-	-	315,952	311,972
Capital grants/contributions	7,347	17,046	-	-	7,347	17,046
General revenues:						
Motor fuel tax	8,488	8,209	-	-	8,488	8,209
Motor vehicle tax	15,074	14,680	-	-	15,074	14,680
Tobacco tax and fees	12,254	13,505	-	-	12,254	13,505
Sales tax	4,106	3,752	-	-	4,106	3,752
Grants and contributions not restricted to specific programs	12,122	14,494	-	-	12,122	14,494
Unrestricted investment earnings	1,615	726	-	-	1,615	726
Litigation settlement	8,236	8,349	-	-	8,236	8,349
Dividends from component units	49,444	50,139	-	-	49,444	50,139
Miscellaneous	6,241	6,040	-	-	6,241	6,040
Total revenues	<u>612,919</u>	<u>607,375</u>	<u>2,481</u>	<u>1,251</u>	<u>615,400</u>	<u>608,626</u>
Expenses:						
Tribal government	41,010	32,382	-	-	41,010	32,382
Health services	311,892	303,202	-	-	311,892	303,202
Education services	65,666	68,678	-	-	65,666	68,678
Human services	46,048	45,461	-	-	46,048	45,461
Community services	78,290	85,626	-	-	78,290	85,626
Interest on long-term debt	943	1,046	-	-	943	1,046
Total governmental expenses	<u>543,849</u>	<u>536,395</u>	<u>-</u>	<u>-</u>	<u>543,849</u>	<u>536,395</u>
Title VI Loan Fund	-	-	45	51	45	51
Tsa-La-Gi Apartments	-	-	651	523	651	523
CN Solitary Landfill	-	-	2,329	320	2,329	320
EDTA	-	-	55	17	55	17
Total business-type expenses	<u>-</u>	<u>-</u>	<u>3,080</u>	<u>911</u>	<u>3,080</u>	<u>911</u>
Increase in net position before special items and transfers	69,070	70,980	(599)	340	68,471	71,320
Capital Contribution	-	-	-	1,905	-	1,905
Transfers	(1,653)	(937)	1,653	937	-	-
Change in net position	67,417	70,043	1,054	3,182	68,471	73,225
Net position—Beginning of year	<u>1,110,102</u>	<u>1,040,059</u>	<u>11,479</u>	<u>8,297</u>	<u>1,121,581</u>	<u>1,048,356</u>
Net position—End of year	<u>\$ 1,177,519</u>	<u>\$ 1,110,102</u>	<u>\$ 12,533</u>	<u>\$ 11,479</u>	<u>\$ 1,190,052</u>	<u>\$ 1,121,581</u>

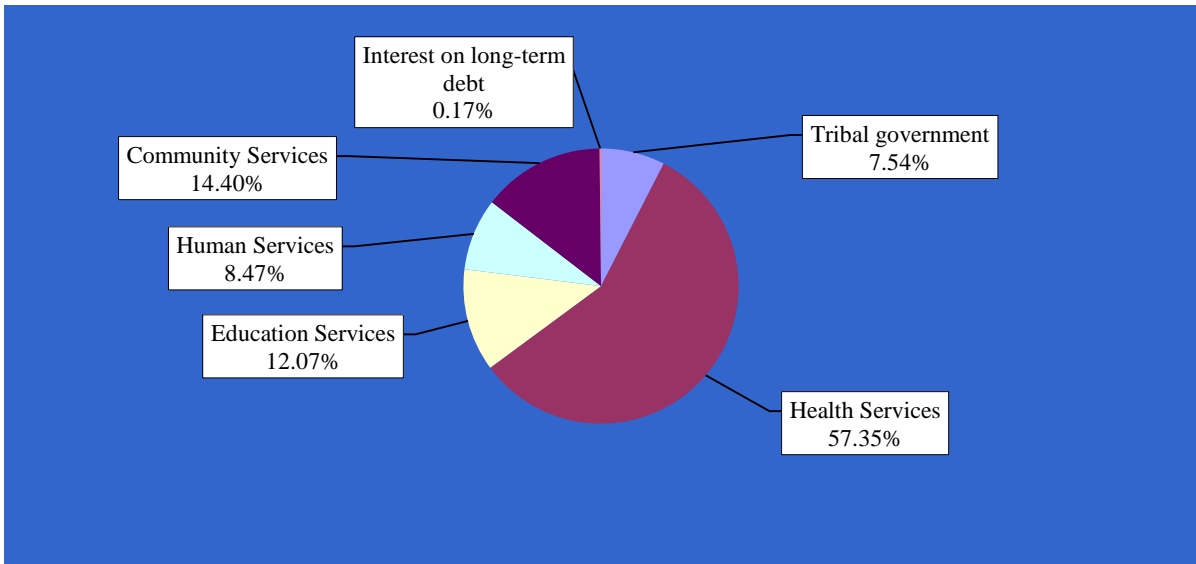
Graph 1 depicts revenues by source for the Governmental Activities of the Nation.

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 2017 were as follows (dollars in thousands):

	Original Budget	Final Budget	Original vs. Final		Actual	Budget vs. Actual		
			Variance Increase/ (Decrease)	Percentage Increase/ (Decrease)		Variance Increase/ (Decrease)	Percentage Increase/ (Decrease)	
Revenues:								
Property Rentals	767	767	-	- %	957	190	25%	
Interest	56	69	13	23%	965	896	1299%	
Other	6,040	6,275	235	4%	4,886	(1,389)	(22%)	
Expenditures:								
Tribal government	32,146	46,228	14,082	44%	22,654	(23,574)	(51%)	
Community services	38,889	41,691	2,802	7%	26,194	(15,497)	(37%)	
Capital outlay	5,071	5,003	(68)	(1%)	422	(4,581)	(92%)	

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:

Property rentals — The actual revenue was more than budget on the Tribal Leases Realty and Land Development Land Operations programs due to terms of leases let during fiscal year 2017.

Interest — Actual revenue was more than budget primarily due to interest earnings on the MFT Education Reserve.

Other — Actual revenue was less than budget due to fewer receipts than expected for TERO Job Training Programs, Radio Show, Career Pathways and Cherokee Day Training Program during fiscal year 2017.

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 2017 as well as other program expenditures not fully expended at the level budgeted for programs such as Employee Performance Incentive, TERO Job Training Programs, Attorney General, Litigation, Gaming Commission and Housing Accessibility Program.

Community services — Actual expenditures were less than budget as a result of reserves for Motor Vehicle Tax revenue allocations which are reserved in the current year and expended in the following year 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, Tribal Bridge Program and Environmental Protection Commission did not expend funds at the level budgeted.

Capital outlay — The Nation’s budget included approximately \$4.8 million for strategic land purchases from the proceeds of the Arkansas Riverbed settlement funds. Actual expenditures were less than

budget partially due to timing of land purchases offset by programs such as Secretary of Natural Resources and Community Water and Sewer.

Capital Assets and Debt Administration

The Nation’s capital assets, net of depreciation, at the end of fiscal year 2017 were \$252.5 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	\$ 20,795	\$ 236	\$ 21,031
Construction in progress	28,115	-	28,115
Buildings and improvements	184,036	209	184,245
Equipment	17,804	1,261	19,065
Total capital assets	<u>\$ 250,750</u>	<u>\$ 1,706</u>	<u>\$ 252,456</u>

Additional information on the Nation’s capital assets can be found in Note 7 on pages 64 - 66 of this report.

The Nation’s long-term debt at the end of fiscal year 2017 was approximately \$51.6 million, primarily related to Title VI loan program, health clinic construction and expansion, and the joint venture construction project for an outpatient health facility in Tahlequah, Oklahoma. The following is a summary of long-term debt at September 30, 2017 (dollars in thousands):

	Governmental Activities	Business-type Activities	Total
Notes payable	\$ 47,704	\$ 3,081	\$ 50,785
Capital leases payable	-	802	802
Total long-term debt	<u>\$ 47,704</u>	<u>\$ 3,883</u>	<u>\$ 51,587</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. As of September 30, 2017, the outstanding balance of this credit facility totaled approximately \$2.1 million.

The Nation entered into a 15-year note in 2010 to finance the construction of a new clinic in Vinita, Oklahoma.

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 \$32.7 million.

Additional information on the Nation’s long-term debt can be found in Note 8 on pages 67 - 72 of this report.

Economic Factors and Next Year's Budget

The Nation continues to provide vital services to the citizens. The outlook for 2018 revenue is projected to be slightly decreased for the General Fund due in part to the uncertainty of the federal budget outlook for 2018. Budgeted expenditures and transfers for the Nation's General Fund for fiscal year 2018 total \$150.8 million, approximately \$20.5 million less than the final amounts budgeted for fiscal year 2017 due to the conservative budgeting practices implemented.

The sequestration of the United States Budget Control Act of 2011 became effective on March 1, 2013. This sequestration resulted in funding reductions to certain federal programs. The Nation had planned for this possibility and implemented several cost containment measures; sequestration is not expected to have a significant impact on the Nation during fiscal year 2018.

The economic uncertainty in Oklahoma is expected to continue to have some impact on gaming; however, the overall effect has been mitigated to a large degree through strategic growth and marketing strategies. 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). 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.



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*Water
is
Sacred*

Basic Financial Statements





*Water
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Government-wide
Financial Statements

CHEROKEE NATION

STATEMENT OF NET POSITION

SEPTEMBER 30, 2017

(Dollars in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 188,103	\$ 3,474	\$ 191,577	\$ 212,233
Investments	111,190	-	111,190	4,998
Accounts receivable, net	38,134	368	38,502	86,631
Internal Balances	896	(896)	-	-
Due from primary government	-	-	-	2,958
Due from component units	3,838	3	3,841	-
Inventories	5,230	-	5,230	13,239
Notes receivable	-	3,676	3,676	504
Other current assets	9,262	2	9,264	12,137
Restricted cash, cash equivalents and investments	517	3,364	3,881	9,562
Long-term notes receivable	1,540	8,126	9,666	15,304
Other assets	66	-	66	1,867
Investment in joint ventures/partnerships	-	-	-	6,543
Derivative instrument - rate swap	4,652	-	4,652	-
Equity interests in component units	816,154	-	816,154	-
Capital assets, non depreciable	48,042	236	48,278	69,098
Capital assets, depreciable, net	202,708	1,470	204,178	664,254
Total assets	1,430,332	19,823	1,450,155	1,099,328
Deferred Outflows of Resources				
Accumulated decrease in fair value of hedging derivative	381	-	381	-
Total deferred outflows of resources	381	-	381	-
Liabilities				
Accounts payable	12,993	-	12,993	127,101
Accrued liabilities	45,351	44	45,395	-
Due to primary government	-	-	-	6,799
Other current liabilities	4,525	56	4,581	-
Unearned revenue	129,824	-	129,824	715
Notes payable and long-term debt				
Due within one year	1,600	1,266	2,866	3,685
Due in more than one year	46,104	1,815	47,919	49,955
Capital leases				
Due within one year	-	218	218	48
Due in more than one year	-	584	584	70
Compensated absences				
Due within one year	7,764	-	7,764	-
Derivative instrument - rate swap	381	-	381	-
Trust liabilities	-	-	-	3,537
Other noncurrent liabilities	-	3,307	3,307	-
Total liabilities	248,542	7,290	255,832	191,910
Deferred Inflows of Resources				
Accumulated increase in fair value of hedging derivatives	4,652	-	4,652	-
Total deferred inflows of resources	4,652	-	4,652	-
Net Position				
Net investment in capital assets	203,046	904	203,950	677,940
Restricted for:				
Education, Health, Roads and Safety (MFT)	47,791	-	47,791	-
Education, Roads and Safety (MVT)	14,919	-	14,919	-
Permanent Funds - expendable	81	-	81	-
Permanent Funds - nonexpendable	425	-	425	-
Construction	-	-	-	811
Debt service	-	-	-	533
Equity interests in component units	816,154	-	816,154	-
Equity interest of minority entity, nonexpendable	-	-	-	1,398
Investment in partnership/joint ventures	-	-	-	1,378
Program services	61,444	-	61,444	26,628
Capital replacements for Tsa-La-Gi	-	287	287	-
Unrestricted	33,659	11,342	45,001	198,730
Total net position	\$ 1,177,519	\$ 12,533	\$ 1,190,052	\$ 907,418

See notes to basic financial statements

CHEROKEE NATION

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2017

(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	\$ 41,010	\$ 5,208	\$ 2,383	\$ 898	\$ (32,521)	\$ -	\$ (32,521)	\$ -
Health services	311,892	126,026	190,863	6,449	11,446	-	11,446	-
Education services	65,666	-	31,932	-	(33,734)	-	(33,734)	-
Human services	46,048	-	35,838	-	(10,210)	-	(10,210)	-
Community services	78,290	17	54,936	-	(23,337)	-	(23,337)	-
Interest on long-term debt	943	-	-	-	(943)	-	(943)	-
Increase in equity in component units	-	40,789	-	-	40,789	-	40,789	-
Total governmental activities	543,849	172,040	315,952	7,347	(48,510)	-	(48,510)	-
Business-type activities:								
Title VI Loan Fund	45	46	-	-	-	1	1	-
Tsa-La-Gi Apartments	651	601	-	-	-	(50)	(50)	-
CN Sanitary Landfill	2,329	1,321	-	-	-	(1,008)	(1,008)	-
EDTA	55	513	-	-	-	458	458	-
Total business-type activities	3,080	2,481	-	-	-	(599)	(599)	-
Total primary government	\$ 546,929	\$ 174,521	\$ 315,952	\$ 7,347	(48,510)	(599)	(49,109)	-
Component Units	\$ 1,051,608	\$ 1,063,716	\$ 23,814	\$ -				35,922
General Revenues:								
					8,488	-	8,488	-
					15,074	-	15,074	-
					12,254	-	12,254	-
					4,106	-	4,106	-
					12,122	-	12,122	-
					1,615	-	1,615	1,185
					49,444	-	49,444	-
					8,236	-	8,236	-
					6,241	-	6,241	-
					-	-	-	(430)
Transfers					(1,653)	1,653	-	-
Total general revenues, transfers and transfer of operations					115,927	1,653	117,580	755
Change in net position					67,417	1,054	68,471	36,677
Net position - beginning, as previously reported					1,110,102	11,479	1,121,581	870,399
Change in reporting entity					-	-	-	342
Net position - beginning, as restated					1,110,102	11,479	1,121,581	870,741
Net position - ending	\$ 1,177,519	\$ 1,190,052	\$ 907,418		\$ 1,177,519	\$ 12,533	\$ 1,190,052	\$ 907,418

See notes to basic financial statements

*Water
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Fund Financial Statements



CHEROKEE NATION

BALANCE SHEET - GOVERNMENTAL FUNDS

SEPTEMBER 30, 2017

(Dollars in Thousands)

	General	Self Governance DOI Roads	Department of Transportation	Self Governance DHHS	Housing & Urban Development	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS								
Cash and cash equivalents	\$ 60,819	\$ 903	\$ 57,205	\$ 34,330	\$ 13,892	\$ -	\$ 20,757	\$ 187,906
Investments	46,985	9,078	18,285	9,008	4,003	-	23,831	111,190
Receivables, net	4,385	-	-	18,710	18	-	6,579	29,692
Due from other funds	11,301	-	-	-	3,368	2,148	4,441	21,258
Due from component units	6,286	-	-	-	-	-	-	6,286
Inventories	-	-	-	3,708	-	-	1,362	5,070
Other current assets	9	-	-	8,273	-	-	323	8,605
Restricted cash, cash equivalents and investments	11	-	-	-	-	-	506	517
Long-term notes receivable	-	-	-	-	1,540	-	-	1,540
Total assets	<u>129,796</u>	<u>9,981</u>	<u>75,490</u>	<u>74,029</u>	<u>22,821</u>	<u>2,148</u>	<u>57,799</u>	<u>372,064</u>
LIABILITIES								
Accounts payable	\$ 12,993	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,993
Accrued liabilities	15,459	-	8	16,217	-	1,080	59	32,823
Due to other funds	1,778	214	1,663	15,647	-	5,676	9,925	34,903
Due to component units	-	-	-	-	2,855	-	-	2,855
Other liabilities	231	-	-	199	2	-	28	460
Unearned revenue	11	9,767	73,819	3,313	17,374	-	25,540	129,824
Total liabilities	<u>30,472</u>	<u>9,981</u>	<u>75,490</u>	<u>35,376</u>	<u>20,231</u>	<u>6,756</u>	<u>35,552</u>	<u>213,858</u>
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue - notes receivables	-	-	-	-	1,540	-	-	1,540
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,540</u>	<u>-</u>	<u>-</u>	<u>1,540</u>
FUND BALANCES								
Nonspendable	-	-	-	11,981	-	-	425	12,406
Restricted	62,710	-	-	26,672	1,050	-	21,822	112,254
Committed	8,113	-	-	-	-	-	-	8,113
Assigned	10,443	-	-	-	-	-	-	10,443
Unassigned	18,058	-	-	-	-	(4,608)	-	13,450
Total fund balances (deficit)	<u>99,324</u>	<u>-</u>	<u>-</u>	<u>38,653</u>	<u>1,050</u>	<u>(4,608)</u>	<u>22,247</u>	<u>156,666</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 129,796</u>	<u>\$ 9,981</u>	<u>\$ 75,490</u>	<u>\$ 74,029</u>	<u>\$ 22,821</u>	<u>\$ 2,148</u>	<u>\$ 57,799</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.	223,467
The equity interests in component units is not an available resource and, therefore, is not reported in the funds.	816,154
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.	9,776
Derivative instruments: Rate swaps not reported in governmental funds	4,271
Deferred outflows of resources used to accumulate decreases in fair value of hedging derivative also not reported in governmental funds	381
Deferred inflows of resources used to accumulate increases in fair value of hedging derivative also not reported in governmental funds	(4,652)
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.	19,160
Liabilities that are not due and payable in the current period and, therefore, not reported in the funds.	(47,704)
Net position of governmental activities	<u>\$ 1,177,519</u>

CHEROKEE NATION

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017
(Dollars in Thousands)**

	General	Self Governance DOI Roads	Department of Transportation	Self Governance DHHS	Housing & Urban Development	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:								
Intergovernmental	\$ -	\$ 1,667	\$ 7,324	\$ 169,647	\$ 34,377	\$ -	\$ 104,106	\$ 317,121
Property rentals	957	-	-	-	-	-	-	957
Motor fuel tax	8,488	-	-	-	-	-	-	8,488
Taxes, licenses and fees	35,702	-	-	-	-	-	-	35,702
Interest	965	68	130	188	58	-	627	2,036
Dividends from component units	49,444	-	-	-	-	-	-	49,444
Third party revenues	-	-	-	126,021	-	-	2,133	128,154
Other	4,886	1	5	349	401	-	9,003	14,645
Total revenues	<u>100,442</u>	<u>1,736</u>	<u>7,459</u>	<u>296,205</u>	<u>34,836</u>	<u>-</u>	<u>115,869</u>	<u>556,547</u>
Expenditures:								
Current operating:								
Tribal Government	22,654	-	-	185	-	227	6,613	29,679
Health Services	7,718	-	-	271,801	-	169	25,471	305,159
Education Services	32,465	-	-	-	-	-	34,821	67,286
Human Services	6,097	-	-	-	155	-	40,473	46,725
Community Services	26,194	1,668	7,243	4,949	34,475	-	5,479	80,008
Debt service:								
Principal	-	-	-	1,600	-	-	12,160	13,760
Interest	-	-	-	429	-	420	280	1,129
Capital outlay	422	-	86	1,343	13	33,094	1,312	36,270
Total expenditures	<u>95,550</u>	<u>1,668</u>	<u>7,329</u>	<u>280,307</u>	<u>34,643</u>	<u>33,910</u>	<u>126,609</u>	<u>580,016</u>
Excess (deficiency) of revenues over expenditures	<u>4,892</u>	<u>68</u>	<u>130</u>	<u>15,898</u>	<u>193</u>	<u>(33,910)</u>	<u>(10,740)</u>	<u>(23,469)</u>
Other financing sources (uses):								
Issuance of long-term debt	-	-	-	-	-	32,660	-	32,660
Insurance recoveries	59	-	-	4	-	-	96	159
Transfers in	528	-	-	145	295	4,141	14,583	19,692
Transfers out	(7,227)	(68)	(130)	(237)	(228)	(12,352)	(1,131)	(21,373)
Total other financing sources (uses)	<u>(6,640)</u>	<u>(68)</u>	<u>(130)</u>	<u>(88)</u>	<u>67</u>	<u>24,449</u>	<u>13,548</u>	<u>31,138</u>
Net change in fund balances	(1,748)	-	-	15,810	260	(9,461)	2,808	7,669
Fund balance, October 1, 2016	<u>101,072</u>	<u>-</u>	<u>-</u>	<u>22,843</u>	<u>790</u>	<u>4,853</u>	<u>19,439</u>	<u>148,997</u>
Fund balance (deficit), September 30, 2017	<u>\$ 99,324</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,653</u>	<u>\$ 1,050</u>	<u>\$ (4,608)</u>	<u>\$ 22,247</u>	<u>\$ 156,666</u>

See notes to basic financial statements

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, 2017 (Dollars in Thousands)

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

Net change in fund balances - total governmental funds	\$ 7,669
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.	21,573
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	8,236
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.	(18,900)
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.	40,789
Some expenses are reported in the statement of activities when incurred and presented in the governmental funds when paid.	(15,939)
Contributions of capital assets recorded as revenue in the government-wide financial statements but not recorded at the governmental fund level.	7,347
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>16,642</u>
Change in net position of governmental activities	<u>\$ 67,417</u>

See notes to basic financial statements

CHEROKEE NATION

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (GAAP BASIS) - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017
(Dollars in Thousands)**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Property rentals	\$ 767	\$ 767	\$ 957	\$ 190
Motor fuel tax	7,949	7,949	8,488	539
Taxes, licenses and fees	34,312	34,469	35,702	1,233
Interest	56	69	965	896
Dividends from component units	45,500	45,500	49,444	3,944
Other	6,040	6,275	4,886	(1,389)
Total revenues	<u>94,624</u>	<u>95,029</u>	<u>100,442</u>	<u>5,413</u>
Expenditures:				
Tribal government	32,146	46,228	22,654	(23,574)
Health services	7,751	7,751	7,718	(33)
Education services	33,241	35,836	32,465	(3,371)
Human services	6,115	6,345	6,097	(248)
Community services	38,889	41,691	26,194	(15,497)
Capital outlay	5,071	5,003	422	(4,581)
Total expenditures	<u>123,213</u>	<u>142,854</u>	<u>95,550</u>	<u>(47,304)</u>
Excess (deficiency) of revenues over expenditures	<u>(28,589)</u>	<u>(47,825)</u>	<u>4,892</u>	<u>52,717</u>
Other financing sources (uses):				
Insurance recoveries	-	13	59	46
Transfers in	19,240	21,391	528	(20,863)
Transfers out	(22,139)	(28,387)	(7,227)	21,160
Total other financing sources (uses)	<u>(2,899)</u>	<u>(6,983)</u>	<u>(6,640)</u>	<u>343</u>
Net change in fund balance	(31,488)	(54,808)	(1,748)	53,060
Fund balance, October 1, 2016	101,072	101,072	101,072	-
Fund balance, September 30, 2017	<u>\$ 69,584</u>	<u>\$ 46,264</u>	<u>\$ 99,324</u>	<u>\$ 53,060</u>

See notes to basic financial statements

CHEROKEE NATION

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

SEPTEMBER 30, 2017

(Dollars in Thousands)

	Business-type Activities- Enterprise Funds			Governmental Activities- Internal Service Funds
	Title VI Loan Fund	Nonmajor Enterprise Funds	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 475	\$ 2,999	\$ 3,474	\$ 197
Accounts receivable, net	-	368	368	206
Due from other funds	-	290	290	17,132
Due from component units	3	-	3	407
Inventories	-	-	-	160
Notes receivable, current	1,202	2,474	3,676	-
Other current assets	-	2	2	657
Total current assets	1,680	6,133	7,813	18,759
Noncurrent assets:				
Restricted cash and cash equivalents	-	3,364	3,364	-
Long-term notes receivable	881	7,245	8,126	-
Capital assets, net	-	1,706	1,706	27,283
Total noncurrent assets	881	12,315	13,196	27,283
Total assets	2,561	18,448	21,009	46,042
LIABILITIES				
Current liabilities:				
Accrued liabilities	3	41	44	12,528
Current portion of long-term debt	1,202	64	1,266	-
Current portion of capital leases	-	218	218	-
Due to other funds	470	716	1,186	2,591
Compensated absences	-	-	-	7,764
Other current liabilities	-	56	56	4,065
Total current liabilities	1,675	1,095	2,770	26,948
Noncurrent liabilities:				
Long-term debt	881	934	1,815	-
Capital leases payable	-	584	584	-
Other liabilities	-	3,241	3,241	-
Total noncurrent liabilities	881	4,759	5,640	-
Total liabilities	2,556	5,854	8,410	26,948
NET POSITION				
Net investment in capital assets	-	904	904	27,283
Restricted for:				
Capital replacements	-	287	287	-
Unrestricted (deficit)	5	11,403	11,408	(8,189)
Total net position	\$ 5	\$ 12,594	12,599	\$ 19,094
Adjustment to reflect the consolidation of Internal Service Funds activities related to Enterprise Funds			(66)	
Net position of business-type activities			\$ 12,533	

See notes to basic financial statements

CHEROKEE NATION

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2017
 (Dollars in Thousands)**

	Business-type Activities- Enterprise Funds			Governmental Activities- Internal Service Funds
	Title VI Loan Fund	Nonmajor Enterprise Funds	Total	
Operating revenues:				
Property rentals	\$ -	\$ 598	\$ 598	\$ 7
Charges for services and goods	-	1,294	1,294	130,382
Interest income, loans	45	384	429	-
Other	-	130	130	435
Total operating revenues	45	2,406	2,451	130,824
Operating expenses:				
Salaries and wages	-	644	644	109,940
Other services and charges	-	1,781	1,781	18,505
Materials and supplies	-	67	67	1,739
Depreciation	-	512	512	1,233
Total operating expenses	-	3,004	3,004	131,417
Operating income	45	(598)	(553)	(593)
Nonoperating revenues (expenses):				
Interest income	1	29	30	-
Interest expense	(45)	(29)	(74)	-
Gain/(loss) on sale of capital assets	-	-	-	(60)
Net nonoperating expenses	(44)	-	(44)	(60)
Income before transfer of operations and transfers	1	(598)	(597)	(653)
Capital contribution	-	-	-	17,262
Insurance recoveries	-	-	-	3
Transfers in	-	1,653	1,653	28
Change in net position	1	1,055	1,056	16,640
Total net position - beginning	4	11,539		2,454
Total net position - ending	\$ 5	\$ 12,594		\$ 19,094
Adjustment to reflect the consolidation of Internal Service Funds activities related to Enterprise Funds			(2)	
Change in net position of business-type activities			\$ 1,054	

See notes to basic financial statements

CHEROKEE NATION

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2017 (Dollars in Thousands)

	Business-type Activities- Enterprise Funds			Governmental Activities- Internal Service Funds
	Title VI Loan Fund	Nonmajor Enterprise Funds	Total	
Cash flows from operating activities:				
Receipts from customers	\$ -	\$ 1,708	\$ 1,708	\$ 128,656
Payments to suppliers	(1)	(1,806)	(1,807)	(21,486)
Payments to employees	-	(644)	(644)	(109,552)
Internal activity - payments to other funds	-	772	772	2,946
Internal activity - payments from other funds	-	(317)	(317)	(152)
Internal activity - payments to component units	1	985	986	-
Internal activity - payments from component units	-	-	-	(348)
Interest received on loans	45	384	429	-
Other receipts	-	130	130	435
Net cash provided by (used for) operating activities	45	1,212	1,257	499
Cash flows from noncapital financing activities:				
Transfer from other funds	-	1,653	1,653	28
Principal paid on notes payable	(1,505)	(65)	(1,570)	-
Interest paid on notes payable	(45)	(11)	(56)	-
Net cash provided by (used for) noncapital financing activities	(1,550)	1,576	26	28
Cash flows from capital and related financing activities:				
Purchases of capital assets	-	-	-	(445)
Proceeds from capital debt and leases	-	(214)	(214)	-
Interest paid on capital debt	-	(18)	(18)	-
Net cash provided by (used for) capital and related financing activities	-	(232)	(232)	(445)
Cash flows from investing activities:				
Interest received	1	29	30	-
Payments received on notes receivable	1,505	-	1,505	-
Increase in notes receivable, net	-	(2,174)	(2,174)	-
Net cash provided by (used for) investing activities	1,506	(2,145)	(639)	-
Net increase (decrease) in cash and cash equivalents	1	411	412	82
Cash and cash equivalents, October 1, 2016	474	5,952	6,426	115
Cash and cash equivalents, September 30, 2017	\$ 475	\$ 6,363	\$ 6,838	\$ 197
Cash and Cash Equivalents consist of:				
Unrestricted cash and cash equivalents	\$ 475	\$ 2,999	\$ 3,474	\$ 197
Restricted cash and cash equivalents	-	3,364	3,364	-
Total Cash and Cash Equivalents, September 30, 2017	\$ 475	\$ 6,363	\$ 6,838	\$ 197
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 45	\$ (598)	\$ (553)	\$ (593)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:				
Depreciation expense	-	512	512	1,233
Change in assets and liabilities:				
Receivables, net	1	394	395	2,829
Inventories	-	-	-	(8)
Other current assets	-	-	-	(75)
Accounts and other payables	(1)	904	903	(2,887)
Net cash provided by (used for) operating activities	\$ 45	\$ 1,212	\$ 1,257	\$ 499

See notes to basic financial statements

CHEROKEE NATION

**COMBINING STATEMENT OF NET POSITION - COMPONENT UNITS
SEPTEMBER 30, 2017
(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	\$ 202,728	\$ 4,525	\$ 2,822	\$ 55	\$ 1,927	\$ 85	\$ 91	\$ 212,233
Restricted cash	5,212	-	-	-	-	73	208	5,493
Investments	-	3,372	-	-	-	715	911	4,998
Receivables, net	83,997	984	7	443	1,173	-	27	86,631
Due from primary government	-	2,958	-	-	-	-	-	2,958
Inventories	12,692	-	-	-	516	-	31	13,239
Notes receivable	-	504	-	-	-	-	-	504
Other current assets	10,426	1,618	27	24	41	-	1	12,137
Total current assets	315,055	13,961	2,856	522	3,657	873	1,269	338,193
Noncurrent assets:								
Restricted investments	-	4,069	-	-	-	-	-	4,069
Notes receivable	1,191	14,113	-	-	-	-	-	15,304
Other assets	-	1,867	-	-	-	-	-	1,867
Investment in partnerships/joint ventures	4,826	1,378	-	-	339	-	-	6,543
Capital assets, net	621,979	105,145	2,045	514	2,480	5	1,184	733,352
Total noncurrent assets	627,996	126,572	2,045	514	2,819	5	1,184	761,135
Total assets	943,051	140,533	4,901	1,036	6,476	878	2,453	1,099,328
LIABILITIES								
Current liabilities:								
Accounts payable and accrued liabilities	121,874	1,897	1,157	330	1,819	15	9	127,101
Due to primary government	6,581	-	196	22	-	-	-	6,799
Unearned revenue	-	49	666	-	-	-	-	715
Current portion of notes payable	-	2,108	-	-	-	-	5	2,113
Current portion of long-term debt	-	-	1,219	48	305	-	-	1,572
Current portion of capital leases	-	-	-	48	-	-	-	48
Total current liabilities	128,455	4,054	3,238	448	2,124	15	14	138,348
Noncurrent liabilities:								
Trust liabilities	-	3,537	-	-	-	-	-	3,537
Notes payable	-	48,608	-	-	-	-	-	48,608
Long-term debt	-	-	77	471	719	-	80	1,347
Long-term capital leases	-	-	-	70	-	-	-	70
Total noncurrent liabilities	-	52,145	77	541	719	-	80	53,562
Total liabilities	128,455	56,199	3,315	989	2,843	15	94	191,910
NET POSITION								
Net investment in capital assets	617,933	56,512	749	181	1,456	5	1,104	677,940
Restricted, nonexpendable:								
Equity interest of minority entity	-	-	-	-	1,398	-	-	1,398
Restricted, expendable for:								
Debt service	-	533	-	-	-	-	-	533
Construction	811	-	-	-	-	-	-	811
Investment in partnership/joint ventures	-	1,378	-	-	-	-	-	1,378
Program services	-	25,911	-	-	-	158	559	26,628
Unrestricted	195,852	-	837	(134)	779	700	696	198,730
Total net position	\$ 814,596	\$ 84,334	\$ 1,586	\$ 47	\$ 3,633	\$ 863	\$ 2,359	\$ 907,418

See notes to basic financial statements

CHEROKEE NATION

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -
COMPONENT UNITS
FOR THE YEAR ENDED SEPTEMBER 30, 2017
(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	\$ 1,019,009	\$ 5,925	\$ 13,216	\$ 5,719	\$ 16,571	\$ -	\$ -	\$ 1,060,440
Income (loss) from investments in joint ventures	(430)	-	-	-	-	-	-	(430)
Other	-	1,085	-	53	-	745	1,393	3,276
Total operating revenues	1,018,579	7,010	13,216	5,772	16,571	745	1,393	1,063,286
Operating expenses:								
Cost of sales/operations	421,804	14,896	-	-	-	-	-	436,700
Salaries and wages	262,186	13,686	4,011	4,565	-	-	-	284,448
Other services and charges	166,777	160	8,590	1,231	14,787	642	1,449	193,636
Depreciation and amortization	52,504	6,040	185	68	157	-	-	58,954
Total operating expenses	903,271	34,782	12,786	5,864	14,944	642	1,449	973,738
Operating income (loss)	115,308	(27,772)	430	(92)	1,627	103	(56)	89,548
Nonoperating revenues (expenses):								
Grant revenue	-	23,814	-	-	-	-	-	23,814
Interest/investment income	466	706	4	-	-	-	9	1,185
Interest expense	(407)	(1,817)	(76)	(31)	(27)	-	-	(2,358)
Other, net	(1,029)	106	-	-	232	-	-	(691)
Net nonoperating revenues (expenses)	(970)	22,809	(72)	(31)	205	-	9	21,950
Net Income (loss) before dividends, capital grants and transfer of operations	114,338	(4,963)	358	(123)	1,832	103	(47)	111,498
Dividends to primary government	(49,444)	-	-	-	-	-	-	(49,444)
Distributions	-	-	-	-	(940)	-	-	(940)
Capital grants to Cherokee Nation and others	(24,437)	-	-	-	-	-	-	(24,437)
Change in net position	40,457	(4,963)	358	(123)	892	103	(47)	36,677
Net position, beginning of year, as previously reported	773,797	89,297	1,228	170	2,741	760	2,406	870,399
Change in reporting entity (Note 1)	342	-	-	-	-	-	-	342
Net position, beginning of year, as restated	774,139	89,297	1,228	170	2,741	760	2,406	870,741
Net position, end of year	\$ 814,596	\$ 84,334	\$ 1,586	\$ 47	\$ 3,633	\$ 863	\$ 2,359	\$ 907,418

See notes to basic financial statements

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, 2017
(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	\$ 1,060,440	\$ -	\$ 1,060,440	\$ -	\$ -	\$ -
Income (loss) from investments in joint ventures	(430)	-	-	-	-	(430)
Other	3,276	-	3,276	-	-	-
Total operating revenues	1,063,286	-	1,063,716	-	-	(430)
Operating expenses:						
Cost of sales/operations	436,700	436,700	-	-	-	-
Salaries and wages	284,448	284,448	-	-	-	-
Other services and charges	193,636	193,636	-	-	-	-
Depreciation and amortization	58,954	58,954	-	-	-	-
Total operating expenses	973,738	973,738	-	-	-	-
Operating income (loss)	89,548	(973,738)	1,063,716	-	-	(430)
Nonoperating revenues (expenses):						
Grant revenue	23,814	-	-	23,814	-	-
Interest/investment income	1,185	-	-	-	-	1,185
Interest expense	(2,358)	(2,358)	-	-	-	-
Other, net	(691)	(691)	-	-	-	-
Net nonoperating revenues (expenses)	21,950	(3,049)	-	23,814	-	1,185
Net Income (loss) before dividends, capital grants and transfer of operations	111,498	(976,787)	1,063,716	23,814	-	755
Dividends to primary government	(49,444)	(49,444)	-	-	-	-
Distributions	(940)	(940)	-	-	-	-
Capital grants to Cherokee Nation and others	(24,437)	(24,437)	-	-	-	-
Change in net position	36,677	(1,051,608)	1,063,716	23,814	-	755
Net position, beginning of year, as previously reported	870,399	-	-	-	-	870,399
Prior period adjustments (Note 1)	342	-	-	-	-	342
Net position, beginning of year, as restated	870,741	-	-	-	-	870,741
Net position, end of year	\$ 907,418	\$ (1,051,608)	\$ 1,063,716	\$ 23,814	\$ -	\$ 871,496

See notes to basic financial statements



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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 Statement No. 14, *The Financial Reporting Entity*, as amended by GASB No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*, and based upon 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 “decision support” services and strategic coordination of business activities for the Nation and to act as a holding corporation for certain Nation business enterprises and joint venture investments. 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. As of September 30, 2017, 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 discrete component unit of the Nation. At September 30, 2017, 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, 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 four 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.

Cherokee Hotels, LLC (CHL) — CHL is a tribal limited liability company, created on May 23, 2006, under the laws of the Nation to own and operate a motel located in Roland, Oklahoma. On August 31, 2015, the Cherokee Inn located in Roland, Oklahoma, was razed and converted into a parking space for the Roland Casino. CHL had no activity for the year ended September 30, 2017.

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 state-of-the-art critical site infrastructure protection, security surveillance services, access control technologies and security integration for both 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, unmanned aircraft systems testing and evaluation and risk vulnerability assessments and related training support. 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, to a lesser extent, 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 a broad list of 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 a broad list of 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 and healthcare staffing services primarily for government clients since its formation in 2013. The Company 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.

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.

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, to a lesser extent, commercial customers which was formed in 2013.
- Cherokee Nation Development Group, LLC (CNDG) is a tribal limited liability company that provides construction management services to government clients.
- Cherokee CRC, LLC (CCRC) is an Oklahoma limited liability company that provides construction-related activities, including general contracting and construction management. During the year ended September 30, 2017, CNB determined a change in the reporting entity was necessary to include the assets and activities of CCRC under Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*. CCRC's assets and activities were previously reported as an investment in joint ventures of CNB. However; during 2017, CNB purchased the remaining interest of CCRC and as a result, now reflects

CCRC as a component unit of CNB. The change has resulted in an adjustment of \$342,000 to the beginning of year net position in the accompanying statements of revenues, expenses and changes in net position.

Engineering and Manufacturing Sector

- CND, LLC (CND) is an Oklahoma limited liability company 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 Metalworks, LLC (CNMW) is a tribal limited liability company formed in 2011 that provides precision CNC machining, metal forming and manufacturing of metal fabricated details and electromechanical components for commercial customers. CNMW 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.
- Cherokee Nation Office Solutions, LLC (CNOS) is a tribal limited liability company formed in 2008 that distributes office products and supplies on behalf of Staples. CNOS is based in Pryor, 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. CNHC 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, 2017, \$60,000,000 of the allocation had been sub-allocated to eligible projects.
- CNB also holds an interest in a joint venture, 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 at estimated fair market value. APSE is headquartered in Huntsville and has offices in San Antonio, Texas and Wichita, Kansas. During the year ended September 30, 2017, CNB recognized losses from APSE totaling \$453,000 and received no distributions. CNB's investment in APSE at September 30, 2017 was \$4,797,000.

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 discrete 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 discrete 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. 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 a joint venture 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 discrete 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 consolidated in the accompanying consolidated financial statements. All information included in the Nation's financial statements for CHP is as of and for the fiscal period ended June 30, 2017. 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 \$137,000 for the joint venture at June 30, 2017. CHPS's investment in NOD at June 30, 2017 was \$339,000.

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 discrete component unit. All information included in the Nation's financial statements for CNF is as of and for the fiscal period ended December 31, 2016. 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 discrete component unit. All information included in the Nation's financial statements for CNHS is as of and for the fiscal period ended December 31, 2016. 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 35% for fiscal year 2017.

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:

Self Governance-DOI-Roads was established to account for funds received from the DOI 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. These expenditures are generally presented as community services expenditures in the accompanying financial statements.

Department of Transportation was established to account for 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 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 nine 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 2017, 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 major 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 \$79,000 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 \$2,000 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 Title VI Loan Fund, Tsa-La-Gi Apartments, CN Sanitary Landfill, and Economic Development Trust Authority (EDTA) activities in these funds. The Nation's only major enterprise fund is as follows:

The Title VI Loan Fund was established 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.

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 \$6,209,000 at September 30, 2017. The Nation continues to evaluate the cost-reimbursement allocation for the fringe pool and continues to 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.

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 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 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 supplies are determined by an average cost method. Average costs are updated to the most recent purchase price each quarter. The average cost method used is not considered to be significantly different from the first-in, first-out 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, 2017, 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 \$1,375,000 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. During the fiscal year 2016, the Nation entered into an interest rate swap agreement (derivative instrument) with a financial institution. See Note 10 for additional information concerning these interest rate swap agreements.

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, 2017, the Nation held an equity interest in CNB, CNHHS and CHP in the amount of \$816,154,000 and reflected an increase over the prior year of \$40,789,000. 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, 2017, 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.

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 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 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 \$381,000. More information can be found in Note 10.

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 period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Nation has two items that qualify for reporting in this category which is the accumulated increase in fair value of hedging derivative. The accumulated increase in fair value of the hedging derivatives result from the interest rate swap agreement having a positive fair value of \$4,652,000. More information can be found in Note 10. Additionally, as reported in the Balance Sheet – Governmental Funds, there are unavailable revenues attributable to notes receivables issued to eligible tribal members.

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, 2017 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 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 2017 were approximately \$301,000.

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 2017, the Cherokee Nation bought back \$1,473,000 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, 2017 was \$126,021,000.

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 fund 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 \$223,467,000 capital assets used in governmental activities are as follows on the next page (dollars in thousands):

Capital assets, net	\$ 250,750
Less: Internal service fund capital assets	<u>(27,283)</u>
Capital assets used in governmental activities	<u>\$ 223,467</u>

Another element of the reconciliation is the amount of \$9,776,000 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.” (dollars in thousands)

Notes receivable, net - Self Help Housing	\$ 1,540
Litigation settlement	<u>8,236</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ 9,776</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 \$47,704,000 difference are as follows (dollars in thousands):

Long-term debt	<u><u>\$ 47,704</u></u>
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A reconciliation of the net change in fund balance – total governmental funds reported in the statement of revenues, expenditures, and changes in fund balance 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 \$14,114,000 difference are as follows (dollars in thousands):

Capital expenditures in governmental funds capitalized on government-wide financial statements	\$ 28,811
Depreciation expense	<u>(14,697)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 14,114</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 \$15,939,000 difference are as shown on the following page (dollars in thousands):

Additional capital outlay expense and loss on disposal	\$ 1,292
Transfer of capital asset from governmental funds to internal service fund	(17,262)
Other	(155)
Bond interest expense	<u>186</u>
Net adjustment to decrease changes in fund balance - total governmental funds to arrive at changes in net position of governmental activities	<u><u>\$ (15,939)</u></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.

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, 2017, all deposits were insured or collateralized and held by various safe-keeping agents in the Nation’s name. Component units’ deposits of \$2,800,000 at September 30, 2017 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, 2017.

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, \$1,308,000, or 8%, is invested in Fannie Mae securities, \$1,671,000, or 11%, is invested in Federal Home Loan Mortgage Corporation and \$5,281,000 or 34%, is invested in Federal Home Loan Bank securities, \$3,570,000 or 23%, is invested in Federal Agricultural Mortgage Corporation and \$3,708,000 or 24% is invested in Federal Farm Credit Banks.

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, 2017:

- U.S. Treasury securities of \$38,926,000 are valued using quoted market prices (Level 1 inputs).
- Repurchase agreements of \$702,000 are valued using quoted market prices (Level 1 inputs).
- U.S. Government sponsored entities of \$15,538,000 are valued using quoted market prices (Level 2 inputs).
- Interest rate swap agreements are valued at estimated fair value (Level 2 inputs). See Note 10 for more information.

The component units have the following recurring fair value measurements as of September 30, 2017:

- Money market mutual funds of \$111,988,000 are valued using quoted market prices (Level 1 inputs).
- Investment in joint venture of \$4,826,000 is valued at estimated fair value (Level 3 inputs).

Investments, categorized as to interest and credit risk, at September 30, 2017 were as follows on the next page (dollars in thousands):

Investment Type	Investment Maturities (in Years)					Credit Rating Moody's/S&P
	Fair Value	Less Than 1	1 - 5	6 - 10	More Than 10	
Primary Government:						
U.S. Treasury Obligations	\$ 38,926	\$ 38,926	\$ -	\$ -	\$ -	Aaa/AA+
Repurchase agreements	702	702	-	-	-	N/R
U.S. Government sponsored entities	<u>15,538</u>	<u>-</u>	<u>73</u>	<u>1,591</u>	<u>13,874</u>	Aaa/AA+
Total Primary Government	<u>\$ 55,166</u>	<u>\$ 39,628</u>	<u>\$ 73</u>	<u>\$ 1,591</u>	<u>\$ 13,874</u>	
Component Units:						
Money market mutual funds	\$ 111,988	\$ 111,988	\$ -	\$ -	\$ -	(1)
Mutual funds	560	-	560	-	-	(1)
U.S. Government sponsored entities	527	-	527	-	-	Aaa/AA+
Repurchase agreement	<u>709</u>	<u>709</u>	<u>-</u>	<u>-</u>	<u>-</u>	AAA
Total Component Units	<u>\$ 113,784</u>	<u>\$ 112,697</u>	<u>\$ 1,087</u>	<u>\$ -</u>	<u>\$ -</u>	

(1) 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 above to the investments as presented in the Statement of Net Position follows (in thousands):

Investments as presented above	\$ 55,166
Plus Certificates of Deposit reported as investments	56,726
Less Money market mutual fund and Repurchase agreements reported as Cash & Cash Equivalents & Investments	<u>(702)</u>
Total investments	<u>\$ 111,190</u>

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

Investments as presented above	\$ 113,784
Plus Certificates of Deposit reported as investments	3,372
Less Money market mutual funds and mutual funds reported as Cash Equivalents	<u>(112,158)</u>
Total investments	<u>\$ 4,998</u>

Restricted Cash, Cash Equivalents and Investments

Restricted cash, cash equivalents and investments and reserved cash at September 30, 2017 as shown on the following page (dollars in thousands):

Primary Government

Tenant security deposits held in trust, replacement reserves and mortgage escrow deposits for Tsa-La-Gi	\$ 329
Capital replacement, closure and postclosure care costs of the Landfill Closure fund	3,035
Scholarship funds and youth development projects	506
District Court escrow account	<u>11</u>
Total Primary Government restricted cash, cash equivalents and investments	<u>\$ 3,881</u>

Component Units

Escrow relating to the Title VI loan with a bank (see Note 8)	\$ 533
HACN's lease-to-own homeownership program monthly equity payments	3,536
Pari-mutuel horse racing activities funds	4,501
CNB cash related to federal grants	711
CNF endowment funds	73
CNHS endowment for capital improvements	<u>208</u>
Total Component Unit restricted cash, cash equivalents and investments	<u>\$ 9,562</u>

4. RECEIVABLES

Receivables for primary government at September 30, 2017 consisted of the following (dollars in thousands):

	Primary Government				
	Accounts Receivable				
	Grants & Contracts Receivable	Accounts Receivable	Interest Receivable	Total	Notes Receivable
Governmental Receivables:					
General					
Motor fuel taxes	\$ -	\$ 2,412	\$ 92	\$ 2,504	\$ -
Other taxes	-	150	-	150	-
Other accounts receivable	-	1,731	-	1,731	-
Special Revenue Funds	6,364	18,850	93	25,307	1,540
Other - Internal Service Funds	-	206	-	206	-
Litigation Settlement	-	8,236	-	8,236	-
Receivables of Governmental Activities	<u>\$ 6,364</u>	<u>\$ 31,585</u>	<u>\$ 185</u>	<u>\$ 38,134</u>	<u>\$ 1,540</u>
Business-type Activities:					
CN Sanitary Landfill	\$ -	\$ 368	\$ -	\$ 368	\$ -
Notes receivable, current	-	-	-	-	3,985
Long-term notes receivable	-	-	-	-	8,126
	-	368	-	368	12,111
Less: Allowance for uncollectables	-	-	-	-	(309)
Receivables of Business-type Activities	<u>\$ -</u>	<u>\$ 368</u>	<u>\$ -</u>	<u>\$ 368</u>	<u>\$ 11,802</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, 2017 shown below consisted of the following (dollars in thousands):

	Component Units								
	CNB	HACN	CNCCA	CNHHS	CNWM	CHP	CNF	CNHS	Total
Receivables:									
Accounts and other	<u>\$ 84,081</u>	<u>\$ 482</u>	<u>\$ 12</u>	<u>\$ 518</u>	<u>\$ -</u>	<u>\$ 1,227</u>	<u>\$ -</u>	<u>\$ 27</u>	<u>\$ 86,347</u>
Interest	-	502	-	-	-	-	-	-	502
Notes	1,191	14,617	-	-	-	-	-	-	15,808
	1,191	15,119	-	-	-	-	-	-	16,310
Less: Allowance for uncollectables	(84)	-	(5)	(75)	-	(54)	-	-	(218)
Receivables, net	<u>\$ 85,188</u>	<u>\$ 15,601</u>	<u>\$ 7</u>	<u>\$ 443</u>	<u>\$ -</u>	<u>\$ 1,173</u>	<u>\$ -</u>	<u>\$ 27</u>	<u>\$ 102,439</u>

Mortgages Receivable – Title VI

HACN has mortgages receivable at September 30, 2017 totaling \$14,018,000 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, 2017 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, 2017, the current and noncurrent portions of these mortgages receivable were \$504,000 and \$13,514,000, respectively. The Nation has a related note receivable from HACN recorded in its Business-type Activities reported as notes receivable and long-term notes receivable in the statement of net position.

5. INTERFUND TRANSFERS AND BALANCES

Interfund transfers for the year ended September 30, 2017 consisted of the following (dollars in thousands):

<u>Category and Fund</u>	<u>Transfers from Other Funds</u>	<u>Transfers to Other Funds</u>
Governmental Activities:		
Governmental Funds:		
General	\$ 528	\$ (7,227)
Self Governance DOI Roads	-	(68)
Department of Transportation	-	(130)
Self Governance DHHS	145	(237)
Housing & Urban Development	295	(228)
Capital Projects Fund	4,141	(12,352)
Nonmajor Governmental Funds	14,583	(1,131)
Total Governmental Funds	<u>19,692</u>	<u>(21,373)</u>
Internal Service Funds	<u>28</u>	<u>-</u>
Total Governmental Activities	<u>19,720</u>	<u>(21,373)</u>
Business-type Activities:		
Proprietary Funds:		
Nonmajor Enterprise Funds	<u>1,653</u>	<u>-</u>
Total Proprietary Funds	<u>1,653</u>	<u>-</u>
Total Business-type Activities	<u>1,653</u>	<u>-</u>
Total Primary Government	<u>\$ 21,373</u>	<u>\$ (21,373)</u>

Reconciliation to government-wide Statement of Activities:

Governmental Activities:		
Transfers In	\$ 19,720	
Transfers Out	<u>(21,373)</u>	
Net Transfer Governmental Activities		<u>\$ (1,653)</u>
Business-type Activities:		
Transfers In	\$ 1,653	
Transfers Out	<u>-</u>	
Net Transfer Business-type Activities		<u>\$ 1,653</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, 2017 consisted of the following (dollars in thousands):

Category and Fund	Due from Other Funds	Due to Other Funds
Governmental Activities:		
Governmental Funds:		
General	\$ 11,301	\$ 1,778
Self Governance DOI Roads	-	214
Department of Transportation	-	1,663
Self Governance DHHS	-	15,647
Housing & Urban Development	3,368	-
Capital Projects Fund	2,148	5,676
Nonmajor Governmental Funds	4,441	9,925
Total Governmental Funds	21,258	34,903
Internal Service Funds	17,132	2,591
Total Governmental Activities	38,390	37,494
Business-type Activities:		
Proprietary Funds:		
Title VI Loan Fund	-	470
Nonmajor Enterprise Funds	290	716
Total Proprietary Funds	290	1,186
Total Business-type Activities	290	1,186
Total Primary Government	\$ 38,680	\$ 38,680
Reconciliation to government-wide Statement of Net Position:		
Governmental Activities:		
Due from Other Funds	\$ 38,390	
Due to Other Funds	(37,494)	
Net Internal Balances		\$ 896
Business-type Activities:		
Due from Other Funds	\$ 290	
Due to Other Funds	(1,186)	
Net Internal Balances		\$ (896)

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.

6. INVENTORIES

The Nation's inventories were comprised of the following at September 30, 2017 (dollars in thousands):

	Governmental Funds	Internal Service Funds	Component Units
Finished goods and raw materials	\$ -	\$ -	\$ 16,071
Food for distribution	1,362	-	-
Pharmaceuticals and supplies	<u>3,708</u>	<u>160</u>	<u>547</u>
	5,070	160	16,618
Less inventory reserves	<u>-</u>	<u>-</u>	<u>(3,379)</u>
Total inventories	<u>\$ 5,070</u>	<u>\$ 160</u>	<u>\$ 13,239</u>

The majority of the component unit inventory at September 30, 2017 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, 2017 follows (dollars in thousands):

Governmental Activities

	<u>Balance,</u> <u>September 30,</u> <u>2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance,</u> <u>September 30,</u> <u>2017</u>
Activity by Major Class				
Capital assets, not being depreciated:				
Land	\$ 19,761	\$ 166	\$ -	\$ 19,927
Construction in process	12,688	25,230	(9,803)	28,115
Total capital assets, not being depreciated	<u>32,449</u>	<u>25,396</u>	<u>(9,803)</u>	<u>48,042</u>
Capital assets being depreciated:				
Buildings and improvements	203,934	24,660	(203)	228,391
Equipment	82,508	3,743	(916)	85,335
Land improvements	1,118	137	-	1,255
Total capital assets being depreciated	<u>287,560</u>	<u>28,540</u>	<u>(1,119)</u>	<u>314,981</u>
Less accumulated depreciation for:				
Buildings and improvements	(38,388)	(6,098)	131	(44,355)
Equipment	(59,815)	(8,527)	811	(67,531)
Land improvements	(315)	(72)	-	(387)
Total accumulated depreciation	<u>(98,518)</u>	<u>(14,697)</u>	<u>942</u>	<u>(112,273)</u>
Total capital assets being depreciated, net	<u>189,042</u>	<u>13,843</u>	<u>(177)</u>	<u>202,708</u>
Activity by major class capital assets, net	<u>\$ 221,491</u>	<u>\$ 39,239</u>	<u>\$ (9,980)</u>	<u>\$ 250,750</u>

Depreciation expense was charged to functions as follows:

Governmental activities:

Tribal Government	\$ 3,297
Health Services	9,713
Education Services	449
Human Services	362
Community Services	<u>876</u>
Total Governmental activities depreciation expense	<u>\$ 14,697</u>

Business-type Activities

	Balance, September 30, <u>2016</u>	<u>Additions</u>	<u>Reductions</u>	Balance, September 30, <u>2017</u>
Capital assets, not being depreciated:				
Land	\$ 236	\$ -	\$ -	\$ 236
Capital assets being depreciated:				
Buildings and improvements	1,888	-	-	1,888
Equipment	1,764	-	-	1,764
Total capital assets being depreciated	<u>3,652</u>	<u>-</u>	<u>-</u>	<u>3,652</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,631)	(48)	-	(1,679)
Equipment	(40)	(463)	-	(503)
Total accumulated depreciation	<u>(1,671)</u>	<u>(511)</u>	<u>-</u>	<u>(2,182)</u>
Total capital assets being depreciated, net	<u>1,981</u>	<u>(511)</u>	<u>-</u>	<u>1,470</u>
Business-type activities capital assets, net	<u>\$ 2,217</u>	<u>\$ (511)</u>	<u>\$ -</u>	<u>\$ 1,706</u>

Depreciation expense of \$48,000 was recognized by Tsa-La-Gi Apartments while depreciation of \$463,000 was recognized by CN Sanitary Landfill for the year ended September 30, 2017.

Component Unit Activities

	Balance, September 30, <u>2016</u>	<u>Additions</u>	<u>Reductions</u>	Balance, September 30, <u>2017</u>
CNB and HACN:				
Capital assets, not being depreciated:				
Land	\$ 54,623	\$ 390	\$ (288)	\$ 54,725
Construction in process	38,287	37,737	(65,249)	10,775
Artwork	3,495	106	(3)	3,598
Total capital assets, not being depreciated	<u>96,405</u>	<u>38,233</u>	<u>(65,540)</u>	<u>69,098</u>
Capital assets being depreciated:				
Buildings, improvements and other	733,850	63,092	(5,458)	791,484
Machinery and equipment	266,377	37,018	(30,961)	272,434
Total capital assets being depreciated	<u>1,000,227</u>	<u>100,110</u>	<u>(36,419)</u>	<u>1,063,918</u>
Less accumulated depreciation for:				
Buildings, improvements and other	(199,076)	(31,193)	3,468	(226,801)
Machinery and equipment	(169,390)	(31,535)	21,834	(179,091)
Total accumulated depreciation	<u>(368,466)</u>	<u>(62,728)</u>	<u>25,302</u>	<u>(405,892)</u>
Total capital assets being depreciated, net	<u>631,761</u>	<u>37,382</u>	<u>(11,117)</u>	<u>658,026</u>
CNB and HACN activities - capital assets, net	<u>728,166</u>	<u>75,615</u>	<u>(76,657)</u>	<u>727,124</u>
Other Component Units:				
CNHHS, CNCCA, CHP, CNF and CNHS capital assets, net	<u>5,816</u>	<u>412</u>	<u>-</u>	<u>6,228</u>
Total of the Component Unit activities - capital assets, net	<u>\$ 733,982</u>	<u>\$ 76,027</u>	<u>\$ (76,657)</u>	<u>\$ 733,352</u>

8. LONG-TERM DEBT

Long-term debt activity for the year ended September 30, 2017 was as follows (dollars in thousands):

<u>Governmental Activities</u>	<u>Balance,</u> <u>September 30,</u>			<u>Balance,</u> <u>September 30,</u>		
	<u>2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>2017</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.	14,133	-	(1,600)	12,533	1,600	10,933
Series 2006 Bonds payable with a pledge of revenues from Health Care System with semi-annual interest payments and annual principal payment. Coupon rate ranges from 4.10% to 4.6%. Payments began December 2007 and bonds mature beginning December 2011. See (2) below.	12,160	-	(12,160)	-	-	-
Note payable to construct Tahlequah Outpatient Health Facility. See (3) below.	<u>2,511</u>	<u>32,660</u>	<u>-</u>	<u>35,171</u>	<u>-</u>	<u>35,171</u>
Total long-term debt	<u>\$ 28,804</u>	<u>\$ 32,660</u>	<u>\$ (13,760)</u>	<u>\$ 47,704</u>	<u>\$ 1,600</u>	<u>\$ 46,104</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 is a 15-year note with final payment due in July 2025 with fixed monthly principal payments of \$133,000 and varying monthly interest payments, secured by cash or investments at Bank of Oklahoma. The variable rate is based on 75% of 30 day LIBOR plus 95 basis points if the note is secured by certificates of deposit held by the bank or 115 basis points if the note is secured by U.S. Treasuries. The note had a balance of \$12,533,000 at September 30, 2017. The Nation entered into a swap agreement with Bank of Oklahoma to synthetically fix the interest rate on the \$24 million loan. The swap agreement synthetically fixes the rate at 3.16%. 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. See Note 10 for additional details. Collateral previously associated with this loan was released as part of the loan agreement detailed in (3).

The construction of the Vinita Clinic, owned by the Nation, was completed in fiscal year 2012 and is being operated in accordance with a Joint Venture Construction Program Agreement (JVCP) between the Nation and the Indian Health Service (IHS), Department of Health and Human Services dated May 14, 2010. The Nation planned, designed, constructed, equipped, leases and operates the Vinita Clinic according to IHS specifications. The IHS provides funds to staff and equip the facility in accordance with the joint venture agreement and the self governance compact. The JVCP agreement provided that the Nation was responsible for constructing the Vinita Clinic. Upon completion of the Vinita Clinic, 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 Vinita Clinic or the land it is located on but rather, the IHS is merely providing the funding for staffing and equipping the Vinita Clinic. Pursuant to the terms of the JVCP Agreement, the Self Governance Compact and the no-cost lease, the Nation will be the sole operator of the Vinita Clinic and all employees of the Vinita Clinic will be employees of the Nation. The IHS will

not directly provide services at the Vinita Clinic. IHS funding for the operation of the Vinita Clinic will be provided to the Nation through the Funding Agreements.

- (2) The Nation issued their \$30,000,000 Series 2006 Health Care System Bonds on December 21, 2006. The bonds were issued to fund construction of new clinics in Muskogee and Nowata and an administrative annex for the Redbird Smith clinic in Sallisaw. The bonds carry a coupon rate of 4.1 - 4.6% and mature in three phases that began in 2011. The bonds are secured by a pledge of the health services third party revenue and are a general obligation of the Nation. A monthly debt service reserve of approximately \$116,000 is transferred to the bond trustee, Bank of Oklahoma Trust Services. The bonds were insured through ACA Capital and carried a Standard & Poor's "A" rating and a Fitch BBB-rating. The underwriter for the bond issuance was BOSCO, Inc., a subsidiary of BOK Financial Corporation.

On December 1, 2016, the Nation executed a current refunding of \$12,160,000 of outstanding bonds with an average interest rate of 4.3% utilizing available credit from the \$170,000,000 loan agreement dated August 26, 2016 (See (3) below) with an average interest rate of 2.56%. As a result, the 2006 Series Health Care System Bonds are considered defeased, and the liability for those bonds has been removed from the Governmental Activities.

The current refunding resulted in no accounting loss as the bonds were eligible for call upon that date and no call premium was required. Further, there was no remaining bond premium or discount associated with the debt. The Nation increased its aggregate debt service payments over several years by \$1,972,000 and obtained an economic gain of \$468,000, which represents the difference between the present value of the debt service payments on the previous and current debt.

- (3) This 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 has an interest only period until the first principal payment on the loan is due beginning 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 September 30, 2017 the Nation has drawn down \$35,171,000 of the construction loan funds. 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, is being 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 will plan, design, construct, equip, lease and operate the outpatient health facility according to IHS specifications. The IHS will provide 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 will enter 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 JVCP 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, 2017 was \$3,883,000. The balance of long-term debt for Component Units at September 30, 2017 was \$53,758,000. Long-term debt, including capital leases, in the business-type activities and component units at September 30, 2017 consisted of the following (dollars in thousands):

<u>Business-type Activities</u>	<u>Balance,</u> <u>September 30,</u>			<u>Balance,</u> <u>September 30,</u>		
	<u>2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>2017</u>	<u>Current</u> <u>Portion</u>	<u>Long-Term</u> <u>Portion</u>
Title VI Loan Fund						
Note payable to bank in fixed principal payments. See (4)	\$ 3,588	\$ -	\$ (1,505)	\$ 2,083	\$ 1,202	\$ 881
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.	1,063	-	(65)	998	64	934
CN Sanitary Landfill						
Capital lease to Welch State Bank with fixed payments. Interest rate 1.99%, with final payment due April 2021.	1,016	-	(214)	802	218	584
Total long-term debt	<u>\$ 5,667</u>	<u>\$ -</u>	<u>\$ (1,784)</u>	<u>\$ 3,883</u>	<u>\$ 1,484</u>	<u>\$ 2,399</u>

(4) 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, with a balance at September 30, 2017 of \$2,083,000 carries a variable interest rate, reset monthly, and derived from the 30 day LIBOR + 70 basis points, which at September 30, 2017 was 1.94%. Pool B requires monthly principal payments of \$100,000 through February 1, 2022, plus interest. The loan proceeds were transferred to the HACN under a loan agreement between the Nation and the HACN to provide funding for construction or acquisition of single-family homes within the Nation’s fourteen county reservation. The HACN provided construction and acquisition of housing for eligible participants using Title VI loan proceeds “drawn down” through the Nation. As part of its participation in the Title VI loan, the HACN was required to deposit securities in escrow with JP Morgan Chase, formerly Bank One, in an amount equal to five percent of the total loan balance, or approximately \$265,000. These securities are being pledged as collateral for the Title VI loan to cover the portion of the loan balance not guaranteed by HUD. The interest and dividends generated on these securities remains the property of the HACN. As collateral for the Title VI loan, the Nation has pledged all current and future grants for which the borrower becomes eligible under NAHASDA as well as program income directly generated from the use of the loan proceeds, program income derived from the sale or lease of real property acquired, rehabilitated or constructed with loan proceeds, and the securities deposited to the Pledge Account. Any program income generated from the above is required to be deposited into a “Loan Repayment Account” to serve as an additional source of payment of

principal and interest related to the Title VI loan. The Nation's note receivable from HACN at September 30, 2017 was \$2,083,000, of which, \$1,202,000 is included in notes receivable current and \$881,000 is reflected as long-term notes receivable in the government-wide Statement of Net Position as well as at the Proprietary Fund level.

<u>Component Units</u>	<u>Balance,</u> <u>September 30,</u>			<u>Balance,</u> <u>September 30,</u>	<u>Current</u>	<u>Long-Term</u>
	<u>2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>2017</u>	<u>Portion</u>	<u>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 (5)	\$ 3,588	\$ -	\$ (1,505)	\$ 2,083	\$ 1,202	\$ 881
Note payable to bank in fixed monthly payments of \$2 including principal and interest. Interest calculated at 6.75% annual with final final payment due February 2021. See (6)	64	-	(14)	50	13	37
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 (7)	29,247	20,130	(794)	48,583	893	47,690
Cherokee Nation Comprehensive Care Agency (CNCCA)						
Note payable to CNB to finance building construction and secured by same at 6.5%, principal and interest payments of \$9 due monthly beginning May 2008 and ending April 2018, at which time any remaining principal is due and payable.	1,216	-	(25)	1,191	1,191	-
Notes payables to finance vehicles secured by the vehicle at 3.5% principal and interest of \$3 due monthly from March 2016 and ending February 2021.	134	-	(29)	105	28	77
Cherokee Health Partners, LLC (CHP)						
2.99% note payable, due in monthly installments of \$10 including interest, through February 2022, secured by equipment.	720	-	(197)	523	197	326
3.5% note payable, due in monthly installments of \$18 including interest, through December 2019, secured by equipment.	-	535	(34)	501	108	393
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 5.25% and matures June 7, 2017, secured by a building and land. See (8)	232	-	(18)	214	20	194
Capital lease for buildings and equipment at an interest rate of 2.05%.	126	42	(49)	119	48	71
Line of credit	327	70	(93)	304	28	276
Cherokee National Historical Society, Inc (CNHS)						
Bank note payable dated August 12, 2013 in the original amount of \$130 and was due November 12, 2015. Interest is variable equal to BOK Financial Corp Index.	90	-	(5)	85	5	80
Total long-term debt	<u>\$ 35,744</u>	<u>\$ 20,777</u>	<u>\$ (2,763)</u>	<u>\$ 53,758</u>	<u>\$ 3,733</u>	<u>\$ 50,025</u>

(5) HACN, during fiscal year 2017, 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, whose balance at September 30, 2017 was \$2,083,000 carries a variable interest rate reset monthly, derived from the 30 day LIBOR + 70 basis points, which at September 30, 2017 was 1.94%. Pool B principal payments of \$100,000 began March of 2005 and

are scheduled through June 1, 2022, plus interest. During fiscal year 2017, HACN made total principal payments on Pool B of \$1,505,000.

As collateral for the loan, the Nation has pledged all current and future grants, for which the borrower becomes eligible under NAHASDA, as well as income directly generated from the use of loan proceeds, program income derived from the sale or lease of real property acquired, rehabilitated or constructed with loan proceeds, and the securities deposited to the pledge account. Any program income generated from the above is required to be deposited into a “Loan Repayment Account” to serve as an additional source for payment of principal and interest related to the Title VI loan.

- (6) During fiscal year 2006, HACN 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, 2017 the loan balance was \$50,000.
- (7) During fiscal year 2007, HACN began its Assumable Mortgage Program. In fiscal year 2017, HACN took out \$20,130,000 in new loans for use in the purchase or construction of 647 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, 2017, the loan balance was \$48,583,000.
- (8) 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 note payable is secured by a building, land and certain bank accounts. Amount outstanding at September 30, 2017 was \$214,000.

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:			
2018	1,600	1,322	2,922
2019	1,795	1,275	3,070
2020	3,945	1,187	5,132
2021	3,945	1,073	5,018
2022	3,945	959	4,904
2023 through 2027	<u>32,474</u>	<u>876</u>	<u>33,350</u>
Total	<u>\$ 47,704</u>	<u>\$ 6,692</u>	<u>\$ 54,396</u>

	Principal	Interest	Total
Business-type Activities:			
2018	1,484	132	1,616
2019	1,168	101	1,269
2020	292	14	306
2021	200	9	209
2022	66	8	74
2023 through 2027	342	29	371
2028 through 2032	317	12	329
2033 through 2037	14	1	15
Total	<u>\$ 3,883</u>	<u>\$ 306</u>	<u>\$ 4,189</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:

<u>Pay Count</u>	<u>Annual Leave Earned</u>	
	<u>Regular Full-Time</u>	<u>Regular Part-Time</u>
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):

<u>Fiscal Year</u>	<u>Balance at Beginning of Year</u>	<u>Leave Earned</u>	<u>Leave Used</u>	<u>Balance at End of Year</u>
2015	\$6,814	\$11,710	(\$11,158)	\$7,366
2016	\$7,366	\$12,248	(\$12,238)	\$7,376
2017	\$7,376	\$12,276	(\$11,888)	\$7,764

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

VINITA CLINIC LOAN

In connection with the issuance of a \$24,000,000 note payable (see (1) 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 2.21%, which together with the fixed portion of the interest rate of .95% will result in a total fixed rate of 3.16%.

Terms

The agreement was entered into on July 30, 2010, is scheduled to end on July 31, 2025 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 75% of the London Interbank Offering Rate (LIBOR) and to pay interest to the counterparty at a fixed rate of 2.21% on a notional amount of \$12,533,000 at September 30, 2017. 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 by a corresponding amount each time a principal payment becomes due on the associated debt. 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, 2017, the agreement had a negative fair value of \$381,000 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 \$381,000 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, 2017. 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, 2017, 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, 2017. 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.

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, 2017, 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 below. As rates vary, variable-rate interest payments and net swap payments will vary.

	<u>Variable-Rate Note</u>		Interest	
	<u>Principal</u>	<u>Interest</u>	Rate	<u>Total</u>
			<u>Swap, Net</u>	
2018	\$1,600,000	\$224,000	\$154,000	\$1,978,000
2019	1,600,000	194,000	133,000	1,927,000
2020	1,600,000	164,000	112,000	1,876,000
2021	1,600,000	133,000	91,000	1,824,000
2022	1,600,000	102,000	71,000	1,773,000
2023 – 2025	<u>4,533,000</u>	<u>126,000</u>	<u>86,000</u>	<u>4,745,000</u>
	<u>\$12,533,000</u>	<u>\$943,000</u>	<u>\$647,000</u>	<u>\$14,123,000</u>

TAHLEQUAH OUTPATIENT HEALTH FACILITY

In connection with the issuance of a \$170,000,000 note payable (see (3) in footnote 8 on page 68 - 69), 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 \$37,600,000 at September 30, 2017. The notional amount of the swap and the principal amount of the associated debt were equal at inception of the swap. The notional amount determined each month is based on the projected draws that will be made on the debt for construction related purposes and will increase by an amount up to the total loan agreement amount of \$170,000,000 by September 3, 2019. Monthly payments are due on the last day of each month. Principal payments of the debt will begin once the construction phase of the project has completed 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, 2017, the agreement had a positive fair value of \$4,652,000 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 agreement is recognized as derivative instrument – rate swaps asset in the Nation’s government-wide statement of net position. As the swap is an effective hedging instrument, the offsetting balance is reflected as a deferred inflow on the Nation’s government-wide statement of net position. The positive fair value of the swap of \$4,652,000 for the year ended September 30, 2017 is shown as an adjustment to the carrying amount of the related deferred inflow on the statement of net position.

Credit Risk

The swap’s fair value represented the Nation’s credit exposure to the counterparty as of September 30, 2017. 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, 2017, the Nation was exposed to credit risk because the swap had a positive 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, 2017. 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, 2017, 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 below. As rates vary, variable-rate interest payments and net swap payments will vary.

	Variable-Rate Note		Interest	Total
	Principal	Interest	Rate Swap, Net	
2018	\$0	\$1,660,000	\$237,000	\$1,897,000
2019	945,000	3,013,000	430,000	4,388,000
2020	11,333,000	3,914,000	559,000	15,806,000
2021	11,333,000	3,631,000	519,000	15,483,000
2022	11,333,000	3,360,000	480,000	15,173,000
2023 – 2031	<u>101,056,000</u>	<u>17,958,000</u>	<u>2,565,000</u>	<u>121,579,000</u>
	<u>\$136,000,000</u>	<u>\$33,536,000</u>	<u>\$4,790,000</u>	<u>\$174,326,000</u>

Additionally, as of September 30, 2017 the Nation has drawn an additional \$32,660,000 for a cumulative total of \$35,171,000 on the debt facility. The schedule above represents the projected draws and future principal payments required based on current assumptions for the financing needs during the construction phase of the new outpatient health facility in Tahlequah. The Nation currently has hedged 80% of the total \$170 million of authorized debt (See Note 8).

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, 2017. 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 2017 was \$13,000. The agreement was renewed during fiscal year 2016 and is set to expire on September 30, 2018, 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.

On July 19, 2013, CNB entered into a \$100,000,000 revolving credit agreement. 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 London Interbank Offered Rate (LIBOR) plus 1.20%. The credit agreement has quarterly unused commitment fees of 0.4%. CNB had no outstanding borrowings at September 30, 2017. CNB had letters of credit outstanding totaling \$232,000 at September 30, 2017. CNB's availability was \$99,768,000 at September 30, 2017.

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.

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, 2017 was \$304,000.

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, 2017, a gain of \$107,000 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 \$3,057,000 as of September 30, 2017. This along with other credits to these tenant/homebuyers totaled \$3,492,000 at September 30, 2017. 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, 2017, other amounts included in this category include escrow deposits held by the HACN associated with the Title VI program mortgages totaling \$12,000, and low income housing tenants' security deposits of \$33,000.

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, 2017 are as shown on the following page (dollars in thousands):

	Major						Total Governmental Funds
	General Fund	Special Revenue Funds		Capital Projects Fund	Nonmajor Governmental Funds		
		Self Governance DHHS	Housing & Urban Development				
Fund balances:							
Nonspendable:							
Inventory & other assets	\$ -	\$ 11,981	\$ -	\$ -	\$ -	\$ -	\$ 11,981
Permanent fund principal	-	-	-	-	425	-	425
Restricted for:							
Federal, State and Private Grants	-	26,672	1,050	-	21,822	-	49,544
Education, Health, Roads, Safety (MFT)	47,791	-	-	-	-	-	47,791
Education (MVT)	6,177	-	-	-	-	-	6,177
Roads (MVT)	8,148	-	-	-	-	-	8,148
Law Enforcement (MVT)	594	-	-	-	-	-	594
Committed for:							
Contract Health Services	1,474	-	-	-	-	-	1,474
Land Acquisitions	5,763	-	-	-	-	-	5,763
Heart of the Nation	17	-	-	-	-	-	17
Job Training and Tuition	230	-	-	-	-	-	230
Student activities	202	-	-	-	-	-	202
Substance Abuse Treatment	62	-	-	-	-	-	62
TERO Job Training Programs	365	-	-	-	-	-	365
Assigned to:							
Budgetary Resources for Subsequent Year	10,443	-	-	-	-	-	10,443
Capital Projects	-	-	-	-	-	-	-
Unassigned:*	<u>18,058</u>	<u>-</u>	<u>-</u>	<u>(4,608)</u>	<u>-</u>	<u>-</u>	<u>13,450</u>
Total fund balances	<u>\$ 99,324</u>	<u>\$ 38,653</u>	<u>\$ 1,050</u>	<u>\$ (4,608)</u>	<u>\$ 22,247</u>	<u>-</u>	<u>\$ 156,666</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 \$5,893,000 of the unassigned fund balance was set aside to meet the \$10,893,000 reserve. For Fiscal Year 2018, the reserve has been reduced by \$112,000 for a reserve balance of \$10,781,000.

At September 30, 2017, the capital projects fund reported a deficit fund balance of \$4,608,000. The deficit was caused by expenses for construction of the Nation's new outpatient health facility in Tahlequah being accrued at year end but the loan funds to fund those expenses were not drawn from the financial institution until the financial institution trustee approved the loan drawdown request, which was submitted in October 2017.

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

\$3,241,000 reported as Landfill Closure and Postclosure Care Liability at September 30, 2017 (included in other noncurrent liabilities), represents the cumulative costs recognized to date based on the existing use of 42% of the total estimated capacity of the landfill. Landfill Closure will recognize the remaining estimated cost of closure and postclosure care of approximately \$4,555,000 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 2017. 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 8.3 million cubic yards. Actual remaining years of operation is dependent upon several factors including the volume of waste accepted on an annual basis.

The Nation makes annual contributions to a restricted bank account to finance closure and postclosure care. At September 30, 2017, restricted cash, cash equivalents and investments of approximately \$3,035,000 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, 2017 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 \$200,000 per year per employee. Amounts over \$200,000 per employee are subject to reimbursement by the insurance company.

The Nation is self-insured against employee health and short-term disability claims incurred under its employee group health disability plan. The maximum liability risk to the Nation is \$200,000 per employee per year for employee health. Any claims in excess of this limit are covered by insurance. Significant insurable exposures other than health claims are covered by commercial insurance. For insured exposures, there were no significant reductions in insurance coverage during the year ended September 30, 2017. 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 \$2,285,000 at September 30, 2017, 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 follow (dollars in thousands):

Fiscal Year	Balance at Beginning of Year	Claims and Changes in Estimates	Claim Payments	Balance at End of Year
2015	\$4,066	\$30,637	(\$31,471)	\$3,232
2016	\$3,232	\$31,149	(\$30,856)	\$3,525
2017	\$3,525	\$33,412	(\$34,652)	\$2,285

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 program described below. There is \$100,000 retention with a maximum benefit of \$5,000,000 for each occurrence. Employers Liability has a \$5,000,000 per person/claim limit. A standalone Crime policy continues to be purchased to provide a \$1,000,000 per occurrence loss limit with a lower deductible of \$10,000.

The first \$100,000 of risk is retained on the All Lines Aggregate program with the exception of a \$100,000 deductible on Tribal Officials Errors and Omissions Coverage. The All Lines Aggregate (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 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 Event. 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 Motorists, 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 coverage is provided for all coverage lines within this class with an October 1, 2003 Retroactive Date. A \$15,000,000 Umbrella remains in effect over the ALA coverage lines. The standalone Fiduciary Liability policy was short termed at September 30, 2016 so that its effective dates would match that of the ALA program. The Earthquake limit on the Commercial Property policy was increased to \$5,000,000; and the Flood limit was increased \$5,000,000 excess of \$5,000,000. It should be noted that the commercial property losses are included in the Stop Loss. Cyber Liability policy was implemented with a \$10,000,000 limit and a \$100,000 retention level for each and every loss. Separate Pollution Liability policy is in place with a \$25,000,000 limit with a \$75,000 per contamination retention. E-Commerce Liability remains in effect with a \$2,000,000 limit under the Property Policy. A standalone Crime policy continues to be purchased to provide a \$1,000,000 per occurrence loss limit with a lower deductible of \$10,000.

In order for CNB to comply with *Service Contract Act* and *Davis-Bacon Act* contracts, the employee and employer contributions and the claims from the self-insured medical and dental plan are required to be made to a trustee or third party pursuant to a bona fide fringe benefit fund plan or program. CNB has established a Trust account where the employee and employer’s contributions and the estimated claims amount are sent to the trust every pay period for the employees that are subject to *Service Contract Act* and *Davis-Bacon Act* contracts.

CNB provides employee health coverage under three 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 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
2015	\$4,180	\$45,957	(\$45,338)	\$4,799
2016	\$4,799	\$52,887	(\$53,133)	\$4,553
2017	\$4,553	\$49,149	(\$48,818)	\$4,884

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(k) 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 2017 was approximately \$178,918,000, which included approximately \$176,850,000 for employees covered by the plan. Contributions to the 401(k) plan for 2017 were approximately \$14,346,000. Contributions expressed in dollars and percent of covered payroll were: Nation \$6,130,000, 4.3% and participants \$8,216,000, 5.7%.

The Nation's required contribution and percentage of contribution for fiscal year 2017 and the two preceding years follows:

Fiscal Year	Required Contribution	Percentage Contribution
2015	\$5,531	100%
2016	\$6,041	100%
2017	\$6,130	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 2017 were \$312,000 of which \$95,000 was required and made by the Nation and \$217,000 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) Retirement Savings Plan (the Plan), allows full time employees of CNB and certain component units who 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 of which CNB and these component units will match 100% of the first 6%. During 2017, participating employees contributed \$14,700,000 to the Plan and CNB and its component units contributed \$11,400,000.

CMS and CNHS have a 401(k) plan covering substantially all full time employees of CMS and CNHS. CMS and CNHS do not make contributions to this plan.

Employees of CNGS and CNTS have a 401(k) plan that covers full time employees who are at least 21 years of age. Under the provisions of the plan, CNGS and CNTS will match 50% of the employee's contributions up to 4%. CNGS' and CNTS' contributions to the plan were approximately \$632,000 for 2017.

At September 30, 2017, liabilities under deferred compensation and long-term incentive compensation arrangements for executives of CNB and its component units totaled approximately \$5,800,000 which has been recorded as accounts payable and accrued liabilities.

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, 2017 were approximately \$49,100. 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, 2017.

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 (35% as of September 30, 2017). Dividend payments to the Nation by component units totaled \$49,444,000 (which includes an accrual of \$6,082,000) at September 30, 2017.

Cherokee Nation Businesses, LLC (CNB)

The Nation levies certain taxes and fees which apply to some of the Nation's component units. During 2017, the Nation collected a tribal tax on food and beverage, tobacco, merchandise and other retail sales from CNE totaling \$4,000,000.

The Nation also provides certain security services to CNE through the Nation's Marshal Service. In 2017, the Nation collected \$721,000 from CNE for services provided by the Marshals.

CNE recorded fees of approximately \$3,000,000 in 2017 to the Cherokee Nation Gaming Commission (CNGC) which has regulatory oversight responsibility for gaming.

During 2013, the Board of Directors of CNB and related entities approved the expenditure of up to approximately \$100,000,000 on Nation medical facilities. An additional funding commitment of \$8,000,000 was added as of September 30, 2014. During 2017, approximately \$10,524,000 of these projects was transferred to the Nation and of this amount, \$6,449,000 is shown as capital grants and contributions on the Statement of Activities. The remainder is for costs that were not capitalized as part of the project.

CNE has entered into certain lease agreements with the Nation. CNE leases land for a driving range at the Cherokee Trails Golf Course in Tahlequah, Oklahoma. CNE also leases restaurant and gift shop facilities in Tahlequah. The current leases have expired and a new agreement has not been reached with the Nation. No payments were made toward these leases during 2017.

CNE has entered into a management agreement with the Nation for use of land in Tahlequah, Oklahoma to operate a convenience store. The term of the agreement is 25 years and renewable for an additional 25 years.

CNB operates the gift shop at the Heritage Center. The operations of the gift shop are included in the accompanying financial statements and resulted in a net loss of \$97,000 in 2017. In addition to operating the gift shop, CNB provides marketing services for the Heritage Center. The cost of the marketing services totaled \$236,000 for 2017 and is included in salaries and benefits and marketing, general and administrative expenses in the accompanying statements of revenues, expenses and changes in net position.

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 2017, CNB incurred \$3,500,000 in operating and employee costs in addition to a \$319,000 capital grant awarded to the Nation for cultural development activities.

CNB had other contributions to the Nation of \$2,135,000 for the Day Training and Economic Development programs. Various other smaller contributions were made to the Nation for projects such as housing projects and the Capital Building restoration. The total contribution on the smaller projects totaled \$1,513,000 at September 30, 2017.

CNB has an outstanding note receivable from CNCCA. The note is due in monthly installments of \$9,000 and pays interest at 6.5% annually and matures in May 2038. The outstanding balance on the loan at September 30, 2017 was \$1,191,000. Subsequent to September 30, 2017, CNB discharged and released all unpaid balances associated with this note.

Housing Authority of the Cherokee Nation of Oklahoma (HACN)

The HACN has recorded \$23,779,000 in grant revenue in 2017 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 \$35,000 related to self governance funding received from the Nation for use in providing housing rehabilitation services. Also, the HACN has recorded as "Other Income" \$764,000 of non-federal funds received from the Nation for use in providing housing services.

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 2017, CNB provided marketing services, including group sales, and operation of the museum store at a net cost to CNB of \$236,000.

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 2017, the Nation's general fund included operational expenses of \$740,000 for CNHS.

18. COMMITMENTS AND CONTINGENCIES

Citizenship Litigation

The Nation held a special election on March 3, 2007 regarding criteria for citizenship in the Cherokee Nation. The results of that election were that citizenship is now limited to those individuals who had an Indian ancestor on the Dawes Rolls. Three different lawsuits occurred as a result of that citizenship amendment. Those persons excluded by the special election alleged that they cannot be disenrolled as citizens under the Nation's 1866 Treaty with the United States, along with various federal laws. On January 14th, 2011, the Cherokee Nation District Court ruled in favor of those persons and directed the Cherokee Nation Registrar to process citizenship applications previously held in abeyance. The Nation appealed the CN District Court decision and requested a stay in the processing of applications pending the Cherokee Nation Supreme Court decision on the appeal. The CN District Court issued an order on February 18, 2011 continuing the stay pending the Cherokee Nation Supreme Court decision on the appeal. On August 22, 2011, the Cherokee Nation Supreme Court reversed the decision of the district court, holding that the constitutional amendment was valid, and vacating the stay. On September 20, 2011, a hearing occurred in the District of Columbia on a preliminary injunction, staying the effect of the Cherokee Nation Supreme Court order. An agreed order was entered, effectively reinstating the status quo to the point prior to the Supreme Court's August decision. The District of Columbia federal judge subsequently upheld the Nation's motion to dismiss. That matter was appealed to the Circuit Court of Appeals and on March 12, 2013 the Court of Appeals for the District of Columbia denied Cherokee Nation their request for rehearing en banc. This decision was not appealed by the Nation and therefore the case was remanded back to the DC District Court (Case No. 03-01313). On August 30, 2017, the Court denied the Nation's Motion for Partial Summary Judgment and granted that of the Freedmen. This matter was concluded on February 20, 2018 when the Court issued a final order providing the Freedmen Descendants have all rights of native Cherokees and are eligible for enrollment in the Cherokee Nation. This decision is not expected to have any material adverse economic impact on the Nation.

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 Commitment

At September 30, 2017, 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, 2017 totaled \$138,767,000. These remaining costs are expected to be incurred during 2018 and 2019. The new outpatient health facility in Tahlequah is scheduled to begin operations 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 Compact. 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. 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.

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 \$3,500,000 in 2017.

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 12-year life of the license agreement. The minimum amount of fees paid is expensed and included in operating expense in the statement of revenues, expenses and changes in net position. 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 property.

As a requirement to the agreement, CNE is also required to meet certain operational and capital standards. As of September 30, 2017, 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 a loan guarantee for CNHHS up to \$786,000.

19. SUBSEQUENT EVENTS

On December 13, 2017, the Nation settled an open claim with the Indian Health Services (IHS) for unpaid Contract Support Costs (CSC) arising from a prior year. Based on historical practice, claims settle upon the completion of individual discussions with tribes who have presented such claims to IHS. The IHS has affirmed their commitment to resolving tribal claims for unpaid CSC. While notification of the claim settlement was made within 90 days of fiscal year end, the actual settlement amount was not known until the payment was received on February 2, 2018 in the amount of \$8,236,000. This amount has been accrued in the government wide statements as an increase in accounts receivable, net on the statement of net position and an increase in general revenues – litigation settlement on the statement of activities.

On December 14, 2017, the Nation enacted Legislative Act 34-17. The purpose of this Act is to increase the monthly dividend payment by 2 percentage points. Effective December 14, 2017, CNB’s monthly dividend payment to the Nation will increase from 35% of net income to 37% of net income.



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Other Supplementary Information



2017 COMPREHENSIVE ANNUAL FINANCIAL REPORT

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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.
- **PL 102–477** – Established to account for funds received through the Department of the Interior from the Department of Labor for counseling, training and job placement of disadvantaged Native Americans, as well as from the Department of Health and Human Services to provide child care services for low-income families with a parent that is working or attending a training or educational program.
- **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.

Debt Service Fund – Established in 2006 to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest related to health construction projects.

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, 2017
 (Dollars in Thousands)

	Special Revenue Funds											Debt Service		Permanent Funds		Total Nonmajor Governmental Funds	
	Self Governance DOI-Other	Sequoyah Education	Talking Leaves Job Corps	Diabetes	Food Distribution	Women, Infants, & Children	Head Start	PL 102-477	Other Grants	Tribal Judgment Funds	Tribal Trusts	Total	Debt Service Fund	Sequoyah Endowment	Gammon Education Trust		Total
ASSETS																	
Cash and cash equivalents	\$ 2,881	\$ 9,555	\$ 26	\$ -	\$ -	\$ -	\$ -	\$ 7,163	\$ 430	\$ 138	\$ 564	\$ 20,757	\$ -	\$ -	\$ -	\$ -	\$ 20,757
Investments	-	-	-	-	-	-	-	8,292	-	11,881	3,658	23,831	-	-	-	-	23,831
Receivables, net	2	-	1,529	404	97	-	426	30	3,998	79	14	6,579	-	-	-	-	6,579
Due from other funds	1,289	-	-	-	-	680	-	-	2,463	-	9	4,441	-	-	-	-	4,441
Inventories	-	-	-	-	1,362	-	-	-	-	-	-	1,362	-	-	-	-	1,362
Other current assets	11	7	-	-	-	305	-	-	-	-	-	323	-	-	-	-	323
Restricted cash, cash equivalents and investments	-	-	-	-	-	-	-	-	-	-	-	-	-	213	293	506	506
Total assets	\$ 4,183	\$ 9,562	\$ 1,555	\$ 404	\$ 1,459	\$ 985	\$ 426	\$ 15,485	\$ 6,891	\$ 12,098	\$ 4,245	\$ 57,293	\$ -	\$ 213	\$ 293	\$ 506	\$ 57,799
LIABILITIES AND FUND BALANCES																	
Liabilities:																	
Accrued liabilities	\$ -	\$ -	\$ -	\$ 51	\$ -	\$ -	\$ -	\$ -	\$ 8	\$ -	\$ -	\$ 59	\$ -	\$ -	\$ -	\$ -	\$ 59
Due to other funds	-	3,372	1,555	353	97	-	426	2,309	-	1,813	-	9,925	-	-	-	-	9,925
Other liabilities	-	-	-	-	-	24	-	-	4	-	-	28	-	-	-	-	28
Unearned revenue	4,183	6,170	-	-	1,362	961	-	12,419	445	-	-	25,540	-	-	-	-	25,540
Total liabilities	4,183	9,542	1,555	404	1,459	985	426	14,728	457	1,813	-	35,552	-	-	-	-	35,552
Fund balances:																	
Nonspendable	-	-	-	-	-	-	-	-	-	-	-	-	-	134	291	425	425
Restricted	-	20	-	-	-	-	-	757	6,434	10,285	4,245	21,741	-	79	2	81	21,822
Total fund balances	-	20	-	-	-	-	-	757	6,434	10,285	4,245	21,741	-	213	293	506	22,247
Total liabilities and fund balances	\$ 4,183	\$ 9,562	\$ 1,555	\$ 404	\$ 1,459	\$ 985	\$ 426	\$ 15,485	\$ 6,891	\$ 12,098	\$ 4,245	\$ 57,293	\$ -	\$ 213	\$ 293	\$ 506	\$ 57,799

CHEROKEE NATION

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2017
 (Dollars in Thousands)

	Special Revenue Funds											Debt Service	Permanent Funds			Total Nonmajor Governmental Funds	
	Self Governance DOI-Other	Sequoyah Education	Talking Leaves Job Corps	Diabetes	Food Distribution	Women, Infants, & Children	Head Start	PL 102-477	Other Grants	Tribal Judgment Funds	Tribal Trusts	Total	Debt Service Fund	Sequoyah Endowment	Gammon Education Trust		Total
Revenues:																	
Intergovernmental	\$ 11,977	\$ 7,455	\$ 6,601	\$ 8,277	\$ 11,237	\$ 5,646	\$ 7,624	\$ 15,551	\$ 29,738	\$ -	\$ -	\$ 104,106	\$ -	\$ -	\$ -	\$ -	\$ 104,106
Interest	25	41	-	8	-	-	-	77	1	266	206	624	-	1	2	3	627
Other	718	16	-	-	95	-	1,229	911	5,551	-	483	9,003	-	-	-	-	9,003
Third party revenues	-	-	-	-	-	-	-	-	2,133	-	-	2,133	-	-	-	-	2,133
Total revenues	<u>12,720</u>	<u>7,512</u>	<u>6,601</u>	<u>8,285</u>	<u>11,332</u>	<u>5,646</u>	<u>8,853</u>	<u>16,539</u>	<u>37,423</u>	<u>266</u>	<u>689</u>	<u>115,866</u>	<u>-</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>115,869</u>
Expenditures:																	
Current operating:																	
Tribal government	5,316	-	-	-	-	-	-	-	668	463	211	6,658	(45)	-	-	-	6,613
Health services	-	-	-	8,171	-	5,646	-	-	11,654	-	-	25,471	-	-	-	-	25,471
Education services	2,931	8,105	6,596	-	-	-	8,760	2,813	5,616	-	-	34,821	-	-	-	-	34,821
Human services	3,508	-	-	-	12,133	-	-	13,655	11,177	-	-	40,473	-	-	-	-	40,473
Community services	662	-	-	-	-	-	-	-	4,817	-	-	5,479	-	-	-	-	5,479
Debt service:																	
Principal	-	-	-	-	-	-	-	-	-	-	-	-	12,160	-	-	-	12,160
Interest	-	-	-	-	-	-	-	-	-	-	-	-	280	-	-	-	280
Capital outlay	332	22	5	114	98	-	93	-	648	-	-	1,312	-	-	-	-	1,312
Total expenditures	<u>12,749</u>	<u>8,127</u>	<u>6,601</u>	<u>8,285</u>	<u>12,231</u>	<u>5,646</u>	<u>8,853</u>	<u>16,468</u>	<u>34,580</u>	<u>463</u>	<u>211</u>	<u>114,214</u>	<u>12,395</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>126,609</u>
Excess (deficiency) of revenues over expenditures	(29)	(615)	-	-	(899)	-	-	71	2,843	(197)	478	1,652	(12,395)	1	2	3	(10,740)
Other financing sources (uses):																	
Insurance recoveries	-	9	-	-	32	-	-	-	55	-	-	96	-	-	-	-	96
Transfers in	80	615	-	-	867	-	-	-	768	-	-	2,330	12,253	-	-	-	14,583
Transfers out	(51)	-	-	-	-	-	-	-	(1,080)	-	-	(1,131)	-	-	-	-	(1,131)
Total other financing sources (uses)	<u>29</u>	<u>624</u>	<u>-</u>	<u>-</u>	<u>899</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(257)</u>	<u>-</u>	<u>-</u>	<u>1,295</u>	<u>12,253</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,548</u>
Net change in fund balances	-	9	-	-	-	-	-	71	2,586	(197)	478	2,947	(142)	1	2	3	2,808
Fund balance, October 1, 2016	-	11	-	-	-	-	-	686	3,848	10,482	3,767	18,794	142	212	291	503	19,439
Fund balance, September 30, 2017	<u>\$ -</u>	<u>\$ 20</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 757</u>	<u>\$ 6,434</u>	<u>\$ 10,285</u>	<u>\$ 4,245</u>	<u>\$ 21,741</u>	<u>\$ -</u>	<u>\$ 213</u>	<u>\$ 293</u>	<u>\$ 506</u>	<u>\$ 22,247</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.
- **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, 2017

(Dollars in Thousands)

	Tsa-La-Gi Apartments	CN Sanitary Landfill	EDTA	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 472	\$ 1,187	\$ 1,340	\$ 2,999
Accounts receivable, net	-	368	-	368
Due from other funds	-	-	290	290
Notes receivable, current	-	-	2,474	2,474
Other current assets	2	-	-	2
Total current assets	<u>474</u>	<u>1,555</u>	<u>4,104</u>	<u>6,133</u>
Noncurrent assets:				
Restricted cash and cash equivalents	329	3,035	-	3,364
Long-term notes receivable	-	-	7,245	7,245
Capital assets, net	290	1,416	-	1,706
Total noncurrent assets	<u>619</u>	<u>4,451</u>	<u>7,245</u>	<u>12,315</u>
Total assets	<u>1,093</u>	<u>6,006</u>	<u>11,349</u>	<u>18,448</u>
LIABILITIES				
Current liabilities:				
Accrued liabilities	40	1	-	41
Current portion of long-term debt	-	-	64	64
Current portion of capital leases	-	218	-	218
Due to other funds	7	709	-	716
Other current liabilities	25	25	6	56
Total current liabilities	<u>72</u>	<u>953</u>	<u>70</u>	<u>1,095</u>
Noncurrent liabilities:				
Long-term debt	-	-	934	934
Capital leases	-	584	-	584
Other liabilities	-	3,241	-	3,241
Total noncurrent liabilities	<u>-</u>	<u>3,825</u>	<u>934</u>	<u>4,759</u>
Total liabilities	<u>72</u>	<u>4,778</u>	<u>1,004</u>	<u>5,854</u>
NET POSITION				
Net investment in capital assets	290	614	-	904
Restricted for:				
Capital replacements	287	-	-	287
Unrestricted	444	614	10,345	11,403
Total net position	<u>\$ 1,021</u>	<u>\$ 1,228</u>	<u>\$ 10,345</u>	<u>\$ 12,594</u>

CHEROKEE NATION

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - NONMAJOR ENTERPRISE FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2017 (Dollars in Thousands)

	Tsa-La-Gi Apartments	CN Sanitary Landfill	EDTA	Total
Operating revenues:				
Property rentals	\$ 598	\$ -	\$ -	\$ 598
Charges for services and goods	-	1,294	-	1,294
Interest income, loans	-	-	384	384
Other	1	1	128	130
Total operating revenues	<u>599</u>	<u>1,295</u>	<u>512</u>	<u>2,406</u>
Operating expenses:				
Salaries and wages	76	568	-	644
Other services and charges	499	1,238	44	1,781
Materials and supplies	28	39	-	67
Depreciation	48	464	-	512
Total operating expenses	<u>651</u>	<u>2,309</u>	<u>44</u>	<u>3,004</u>
Operating income (loss)	<u>(52)</u>	<u>(1,014)</u>	<u>468</u>	<u>(598)</u>
Nonoperating revenues (expenses):				
Interest income	1	27	1	29
Interest expense	-	(18)	(11)	(29)
Net nonoperating revenues (expenses)	<u>1</u>	<u>9</u>	<u>(10)</u>	<u>-</u>
Income (loss) before transfer of operations and transfers	(51)	(1,005)	458	(598)
Transfers in	-	350	1,303	1,653
Change in net position	(51)	(655)	1,761	1,055
Total net position - beginning	<u>1,072</u>	<u>1,883</u>	<u>8,584</u>	<u>11,539</u>
Total net position - ending	<u>\$ 1,021</u>	<u>\$ 1,228</u>	<u>\$ 10,345</u>	<u>\$ 12,594</u>

CHEROKEE NATION

COMBINING STATEMENT OF CASH FLOWS - NONMAJOR ENTERPRISE FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2017 (Dollars in Thousands)

	Tsa-La-Gi Apartments	CN Sanitary Landfill	EDTA	Total
Cash flows from operating activities:				
Receipts from customers	\$ 598	\$ 1,110	\$ -	\$ 1,708
Payments to suppliers	(492)	(1,277)	(37)	(1,806)
Payments to employees	(76)	(568)	-	(644)
Internal activity - payments to other funds	-	772	-	772
Internal activity - payments from other funds	(68)	-	(249)	(317)
Internal activity - payments to component units	-	985	-	985
Interest received on loans	-	-	384	384
Other receipts	1	1	128	130
Net cash provided by (used for) operating activities	<u>(37)</u>	<u>1,023</u>	<u>226</u>	<u>1,212</u>
Cash flows from noncapital financing activities:				
Transfer from other funds	-	350	1,303	1,653
Principal paid on notes payable	-	-	(65)	(65)
Interest paid on notes payable	-	-	(11)	(11)
Net cash provided by (used for) noncapital financing activities	<u>-</u>	<u>349</u>	<u>1,227</u>	<u>1,576</u>
Cash flows from capital and related financing activities:				
Proceeds from capital debt and leases	-	(214)	-	(214)
Interest paid on capital debt and leases	-	(18)	-	(18)
Net cash used for capital and related financing activities	<u>-</u>	<u>(232)</u>	<u>-</u>	<u>(232)</u>
Cash flows from investing activities:				
Interest received	1	27	1	29
Increase in notes receivable, net	-	-	(2,174)	(2,174)
Net cash provided by (used for) investing activities	<u>1</u>	<u>27</u>	<u>(2,173)</u>	<u>(2,145)</u>
Net increase (decrease) in cash and cash equivalents	(36)	1,167	(720)	411
Cash and cash equivalents, October 1, 2016	<u>837</u>	<u>3,055</u>	<u>2,060</u>	<u>5,952</u>
Cash and cash equivalents, September 30, 2017	<u>\$ 801</u>	<u>\$ 4,222</u>	<u>\$ 1,340</u>	<u>\$ 6,363</u>
Cash and cash equivalents consist of:				
Unrestricted cash and cash equivalents	\$ 472	\$ 1,187	\$ 1,340	\$ 2,999
Restricted cash and cash equivalents	329	3,035	-	3,364
Total Cash and Cash Equivalents, September 30, 2017	<u>\$ 801</u>	<u>\$ 4,222</u>	<u>\$ 1,340</u>	<u>\$ 6,363</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ (52)	\$ (1,014)	\$ 468	\$ (598)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	48	464	-	512
Change in assets and liabilities:				
Receivables, net	-	643	(249)	394
Accounts and other payables	(33)	930	7	904
Net cash provided by (used for) operating activities	<u>\$ (37)</u>	<u>\$ 1,023</u>	<u>\$ 226</u>	<u>\$ 1,212</u>

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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, 2017

(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	\$ -	\$ 32	\$ 165	\$ 197
Accounts receivable, net	-	76	130	206
Due from other funds	-	14,456	2,676	17,132
Due from component units	17	198	192	407
Inventories	-	-	160	160
Other current assets	-	40	617	657
Total current assets	<u>17</u>	<u>14,802</u>	<u>3,940</u>	<u>18,759</u>
Noncurrent assets:				
Capital assets, net	<u>25,958</u>	<u>-</u>	<u>1,325</u>	<u>27,283</u>
Total noncurrent assets	<u>25,958</u>	<u>-</u>	<u>1,325</u>	<u>27,283</u>
Total assets	<u>25,975</u>	<u>14,802</u>	<u>5,265</u>	<u>46,042</u>
LIABILITIES				
Current liabilities:				
Accrued liabilities	-	10,962	1,566	12,528
Due to other funds	2,591	-	-	2,591
Compensated absences	-	7,764	-	7,764
Other current liabilities	-	2,285	1,780	4,065
Total current liabilities	<u>2,591</u>	<u>21,011</u>	<u>3,346</u>	<u>26,948</u>
Total liabilities	<u>2,591</u>	<u>21,011</u>	<u>3,346</u>	<u>26,948</u>
NET POSITION				
Net investment in capital assets	25,958	-	1,325	27,283
Unrestricted (deficit)	<u>(2,574)</u>	<u>(6,209)</u>	<u>594</u>	<u>(8,189)</u>
Total net position	<u>\$ 23,384</u>	<u>\$ (6,209)</u>	<u>\$ 1,919</u>	<u>\$ 19,094</u>

CHEROKEE NATION

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017
(Dollars in Thousands)**

	Internal Leases	Fringe Pool	Indirect Cost Pool	Total
Operating revenues:				
Property rentals	\$ 7	\$ -	\$ -	\$ 7
Charges for services and goods	4,956	83,038	42,388	130,382
Other	65	-	370	435
Total operating revenues	<u>5,028</u>	<u>83,038</u>	<u>42,758</u>	<u>130,824</u>
Operating expenses:				
Salaries and wages	2,524	82,425	24,991	109,940
Other services and charges	1,858	23	16,624	18,505
Materials and supplies	428	-	1,311	1,739
Depreciation	630	-	603	1,233
Total operating expenses	<u>5,440</u>	<u>82,448</u>	<u>43,529</u>	<u>131,417</u>
Operating income (loss)	<u>(412)</u>	<u>590</u>	<u>(771)</u>	<u>(593)</u>
Nonoperating revenues (expenses):				
Gain/(loss) on sale of capital assets	<u>(60)</u>	<u>-</u>	<u>-</u>	<u>(60)</u>
Net nonoperating revenues (expenses)	<u>(60)</u>	<u>-</u>	<u>-</u>	<u>(60)</u>
Income (loss) before transfers	(472)	590	(771)	(653)
Capital contribution	17,262	-	-	17,262
Insurance recoveries	-	-	3	3
Transfers in	-	-	28	28
Change in net position	16,790	590	(740)	16,640
Total net position - beginning	<u>6,594</u>	<u>(6,799)</u>	<u>2,659</u>	<u>2,454</u>
Total net position - ending	<u>\$ 23,384</u>	<u>\$ (6,209)</u>	<u>\$ 1,919</u>	<u>\$ 19,094</u>

CHEROKEE NATION

COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2017 (Dollars in Thousands)

	<u>Internal Leases</u>	<u>Fringe Pool</u>	<u>Indirect Cost Pool</u>	<u>Total</u>
Cash flows from operating activities:				
Receipts from customers - other funds	\$ 4,963	\$ 81,334	\$ 42,359	\$ 128,656
Payments to suppliers	(2,286)	-	(19,200)	(21,486)
Payments to employees	(2,524)	(82,037)	(24,991)	(109,552)
Internal activity - payments to other funds	-	990	1,956	2,946
Internal activity - payments from other funds	(152)	-	-	(152)
Internal activity - payments from component units	(17)	(255)	(76)	(348)
Other receipts	65	-	370	435
Net cash provided by (used for) operating activities	<u>49</u>	<u>32</u>	<u>418</u>	<u>499</u>
Cash flows from noncapital financing activities				
Transfer from other funds	-	-	28	28
Net cash provided by noncapital financing activities	<u>-</u>	<u>-</u>	<u>28</u>	<u>28</u>
Cash flows from capital and related financing activities:				
Purchases of capital assets	(49)	-	(396)	(445)
Net cash (used for) capital and related financing activities	<u>(49)</u>	<u>-</u>	<u>(396)</u>	<u>(445)</u>
Net increase (decrease) in cash and cash equivalents	-	32	50	82
Cash and cash equivalents, October 1, 2016	-	-	115	115
Cash and cash equivalents, September 30, 2017	<u>\$ -</u>	<u>\$ 32</u>	<u>\$ 165</u>	<u>\$ 197</u>
Cash and cash equivalents consist of:				
Unrestricted cash and cash equivalents	\$ -	\$ 32	\$ 165	\$ 197
Total Cash and Cash Equivalents, September 30, 2017	<u>\$ -</u>	<u>\$ 32</u>	<u>\$ 165</u>	<u>\$ 197</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ (412)	\$ 590	\$ (771)	\$ (593)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	630	-	603	1,233
Change in assets and liabilities:				
Receivables, net	(17)	995	1,851	2,829
Inventories	-	-	(8)	(8)
Other current assets	-	-	(75)	(75)
Accounts and other payables	(152)	(1,553)	(1,182)	(2,887)
Net cash provided by (used for) operating activities	<u>\$ 49</u>	<u>\$ 32</u>	<u>\$ 418</u>	<u>\$ 499</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, 2017
(Dollars in Thousands)**

	Budgeted Amounts		Actual	Variance with Final Budget over/(under)
	Original	Final		
Operating revenues:				
Property rentals	\$ 508	\$ 508	\$ 598	\$ 90
Charges for services and goods	830	830	1,294	464
Interest income, loans	619	623	429	(194)
Other	75	83	130	47
Total operating revenues	<u>2,032</u>	<u>2,044</u>	<u>2,451</u>	<u>407</u>
Operating expenses:				
Salaries and wages	540	708	644	(64)
Other services and charges	2,452	3,442	1,781	(1,661)
Materials and supplies	24	63	67	4
Depreciation	761	538	512	(26)
Total operating expenses	<u>3,777</u>	<u>4,751</u>	<u>3,004</u>	<u>(1,747)</u>
Operating income (loss)	<u>(1,745)</u>	<u>(2,707)</u>	<u>(553)</u>	<u>2,154</u>
Nonoperating revenues(expenses):				
Interest income	-	-	30	30
Interest expense	(380)	(379)	(74)	305
Net nonoperating revenue (expenses)	<u>(380)</u>	<u>(379)</u>	<u>(44)</u>	<u>335</u>
Income (loss) before transfer of operations and transfers	<u>(2,125)</u>	<u>(3,086)</u>	<u>(597)</u>	<u>2,489</u>
Transfers in	<u>935</u>	<u>1,896</u>	<u>1,653</u>	<u>(243)</u>
Change in net position	<u>(1,190)</u>	<u>(1,190)</u>	<u>1,056</u>	<u>2,246</u>
Total net position - beginning	11,543	11,543	11,543	-
Total net position - ending	<u>\$ 10,353</u>	<u>\$10,353</u>	<u>12,599</u>	<u>\$ 2,246</u>
Adjustment to reflect the consolidation of Internal Service Funds activities related to Enterprise Funds			<u>(66)</u>	
Net position of Enterprise Funds			<u>\$12,533</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)**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental Activities										
Net investment in capital assets	\$ 62,021	\$ 74,152	\$ 78,468	\$ 94,667	\$102,104	\$123,091	\$135,395	\$ 175,662	\$ 192,687	\$ 203,046
Restricted	36,739	61,015	89,899	95,234	100,282	746,032	797,337	822,166	876,372	940,814
Unrestricted	87,255	68,411	50,110	49,656	61,251	32,510	54,656	42,231	41,043	33,659
Total governmental activities net position	<u>186,015</u>	<u>203,578</u>	<u>218,477</u>	<u>239,557</u>	<u>263,637</u>	<u>901,633</u>	<u>987,388</u>	<u>1,040,059</u>	<u>1,110,102</u>	<u>1,177,519</u>
Business-type activities										
Net investment in capital assets	204	253	457	514	533	483	435	386	1,201	904
Restricted	310	398	324	304	362	279	339	287	287	287
Unrestricted	2,029	2,478	3,128	4,052	4,800	5,263	5,655	7,624	9,991	11,342
Total business-type activities net position	<u>2,543</u>	<u>3,129</u>	<u>3,909</u>	<u>4,870</u>	<u>5,695</u>	<u>6,025</u>	<u>6,429</u>	<u>8,297</u>	<u>11,479</u>	<u>12,533</u>
Primary government										
Net investment in capital assets	62,225	74,405	78,925	95,181	102,637	123,574	135,830	176,048	193,888	203,950
Restricted	37,049	61,413	90,223	95,538	100,644	746,311	797,676	822,453	876,659	941,101
Unrestricted	89,284	70,889	53,238	53,708	66,051	37,773	60,311	49,855	51,034	45,001
Total primary government net position	<u>\$188,558</u>	<u>\$206,707</u>	<u>\$222,386</u>	<u>\$244,427</u>	<u>\$269,332</u>	<u>\$907,658</u>	<u>\$993,817</u>	<u>\$1,048,356</u>	<u>\$1,121,581</u>	<u>\$1,190,052</u>

2008 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)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental activities:										
Tribal Government	\$ 24,639	\$ 29,323	\$ 29,841	\$ 29,678	\$ 29,428	\$ 28,885	\$ 26,464	\$ 27,535	\$ 32,382	\$ 41,010
Health Services	103,177	179,806	206,013	224,634	244,547	256,465	266,606	300,161	303,202	311,892
Education Services	40,365	46,200	54,085	52,348	54,061	57,076	59,753	65,059	68,678	65,666
Human Services	37,003	36,231	37,932	38,588	38,575	40,432	40,917	42,996	45,461	46,048
Community Services	51,693	72,334	75,600	63,814	68,391	72,344	82,796	88,575	85,626	78,290
Other Tribal Services	15,033	-	-	-	-	-	-	-	-	-
Interest on long-term debt	1,503	1,525	1,309	1,722	1,569	1,414	1,274	1,140	1,046	943
Total governmental activities expenses	273,413	365,419	404,780	410,784	436,571	456,616	477,810	525,466	536,395	543,849
Business-type activities:										
Title VI Loan Fund	1,458	826	469	302	190	124	70	57	51	45
Tsa-La-Gi Apartments	394	393	387	459	473	492	488	488	523	651
CN Sanitary Landfill	2,292	-	128	154	16	-	-	-	320	2,329
EDTA	373	73	47	67	46	124	232	155	17	55
Total business-type activities expenses	4,517	1,292	1,031	982	725	740	790	700	911	3,080
Total primary government expenses	\$ 277,930	\$ 366,711	\$ 405,811	\$ 411,766	\$ 437,296	\$ 457,356	\$ 478,600	\$ 526,166	\$ 537,306	\$ 546,929
Program Revenues										
Governmental activities:										
Charges for services:										
Tribal Government	\$ -	\$ 640	\$ 4,237	\$ 4,116	\$ 4,458	\$ 4,535	\$ 4,778	\$ 4,651	\$ 4,869	\$ 5,208
Health Services	-	52,274	58,351	69,723	72,911	81,588	93,393	103,757	104,583	126,026
Community Services	1,120	4,054	994	799	714	12	8	7	12	17
Other Tribal Services	3,300	-	-	-	-	-	-	-	-	-
Increase in equity in component units	-	-	-	-	-	49,740	52,251	31,749	48,999	40,789
Operating grants and contributions	127,323	258,558	289,034	283,563	283,446	277,312	283,024	296,053	311,972	315,952
Capital grants and contributions	86	1,994	989	1,369	366	5,036	2,054	36,954	17,046	7,347
Total governmental activities program revenues	131,829	317,520	353,605	359,570	361,895	418,223	435,508	473,171	487,481	495,339
Business-type activities:										
Charges for services:										
Title VI Loan Fund	1,303	816	474	303	191	124	70	57	52	46
Tsa-La-Gi Apartments	525	519	514	508	521	511	528	533	547	601
CN Sanitary Landfill	1,126	-	128	154	-	-	-	-	298	1,321
EDTA	195	168	184	170	194	240	256	315	354	513
Total business-type activities program revenues	3,149	1,503	1,300	1,135	906	875	854	905	1,251	2,481
Total primary government program revenues	\$ 134,978	\$ 319,023	\$ 354,905	\$ 360,705	\$ 362,801	\$ 419,098	\$ 436,362	\$ 474,076	\$ 488,732	\$ 497,820
Net (Expense)/Revenue										
Governmental activities	\$ (141,584)	\$ (47,899)	\$ (51,175)	\$ (51,214)	\$ (74,676)	\$ (38,393)	\$ (42,302)	\$ (52,295)	\$ (48,914)	\$ (48,510)
Business-type activities	(1,368)	211	269	153	181	135	64	205	340	(599)
Total primary government net expense	\$ (142,952)	\$ (47,688)	\$ (50,906)	\$ (51,061)	\$ (74,495)	\$ (38,258)	\$ (42,238)	\$ (52,090)	\$ (48,574)	\$ (49,109)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Motor fuel tax	7,088	7,514	7,256	7,543	7,435	7,615	7,733	8,008	8,209	8,488
Motor vehicle tax	8,161	7,400	7,707	8,441	8,960	9,641	11,654	13,638	14,680	15,074
Tobacco tax	6,254	5,312	4,194	3,990	3,943	3,631	13,466	14,217	13,505	12,254
Sales tax	1,208	1,610	2,314	2,905	3,111	3,363	3,506	3,654	3,752	4,106
Grants and contributions not restricted										
to specific programs	100,355	10,398	11,143	13,394	11,676	12,844	12,503	12,740	14,494	12,122
Unrestricted investment earnings	5,439	2,293	2,056	1,393	1,141	864	634	531	726	1,615
Dividends from component units	35,001	26,444	26,429	30,074	56,806	44,109	47,392	45,448	50,139	49,444
Litigation settlement	-	-	-	-	-	-	-	1,839	8,349	8,236
Miscellaneous revenue	2,222	4,848	5,483	5,360	6,327	3,921	5,695	6,552	6,040	6,241
Special Items	-	-	-	-	-	-	25,813	-	-	-
Transfers	(1,561)	(357)	(508)	(806)	(643)	(194)	(339)	(1,661)	(937)	(1,653)
Total governmental activities	164,167	65,462	66,074	72,294	98,756	85,794	128,057	104,966	118,957	115,927
Business-type activities:										
Unrestricted investment earnings	72	18	3	2	1	1	1	2	-	-
Gain/(loss) on disposals	1,044	-	-	-	-	-	-	-	-	-
Special item	-	-	-	-	-	-	25,813	-	-	-
Transfers	1,561	357	508	806	643	194	339	1,661	937	1,653
Transfer of operations	-	-	-	-	-	-	-	-	1,905	-
Total business-type activities	2,677	375	511	808	644	195	26,153	1,663	2,842	1,653
Total primary government	\$ 166,844	\$ 65,837	\$ 66,585	\$ 73,102	\$ 99,400	\$ 85,989	\$ 154,210	\$ 106,629	\$ 121,799	\$ 117,580
Change in Net Position										
Governmental activities	\$ 22,583	\$ 17,563	\$ 14,899	\$ 21,080	\$ 24,080	\$ 47,401	\$ 85,755	\$ 52,671	\$ 70,043	\$ 67,417
Business-type activities	1,309	586	780	961	825	330	404	1,868	3,182	1,054
Total primary government	\$ 23,892	\$ 18,149	\$ 15,679	\$ 22,041	\$ 24,905	\$ 47,731	\$ 86,159	\$ 54,539	\$ 73,225	\$ 68,471

2008 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>
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
2009	7,514	7,400	5,312	1,610	21,836
2008	7,088	8,161	6,254	1,208	22,711

CHEROKEE NATION

**FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS (Dollars in Thousands)**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General Fund										
Reserved	\$50,241	\$46,895	\$ 46,973	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	34,652	21,674	14,636	-	-	-	-	-	-	-
Restricted	-	-	-	39,447	41,777	45,286	47,233	52,602	57,932	62,710
Committed	-	-	-	6,353	11,548	6,012	8,581	10,042	7,953	8,113
Assigned	-	-	-	11,327	10,731	3,645	17,252	15,274	8,265	10,443
Unassigned	-	-	-	6,234	21,874	10,298	22,056	16,330	26,922	18,058
Total general fund	<u>\$84,893</u>	<u>\$68,569</u>	<u>\$ 61,609</u>	<u>\$63,361</u>	<u>\$85,930</u>	<u>\$65,241</u>	<u>\$95,122</u>	<u>\$94,248</u>	<u>\$101,072</u>	<u>\$ 99,324</u>
All Other Governmental Funds										
Reserved	\$32,896	\$59,642	\$102,399 *	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Nonspendable	-	-	-	11,793	11,734	11,704	11,763	11,895	12,516	12,406
Restricted	-	-	-	75,852	46,771	47,629	43,724	31,303	30,556	49,544
Assigned	-	-	-	9,796	16,449	19,152	11,917	9,634	4,853	-
Unassigned	-	-	-	-	-	-	-	-	-	(4,608)
Total all other governmental funds	<u>\$32,896</u>	<u>\$59,642</u>	<u>\$102,399</u>	<u>\$97,441</u>	<u>\$74,954</u>	<u>\$78,485</u>	<u>\$67,404</u>	<u>\$52,832</u>	<u>\$ 47,925</u>	<u>\$ 57,342</u>

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

2008 through 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)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Intergovernmental	\$203,570	\$255,401	\$289,094	\$285,686	\$285,150	\$284,143	\$290,204	\$300,277	\$318,043	\$317,121
Property rentals	1,750	4,225	4,432	4,136	4,255	691	956	801	895	957
Motor fuel tax revenues	7,088	7,514	7,256	7,543	7,435	7,615	7,733	8,008	8,209	8,488
Tax, license and fees	18,292	17,382	17,840	18,840	19,799	20,490	32,456	35,367	35,923	35,702
Interest	7,189	3,013	2,784	2,129	1,738	1,552	1,336	1,262	1,484	2,036
Trust fund income	190	100	101	105	127	96	21	-	-	-
Litigation settlement	-	-	-	-	-	-	-	1,839	8,349	-
Dividends from component units	35,001	26,444	26,429	30,074	56,806	44,109	47,392	45,448	50,139	49,444
Third party revenues	17,441	53,868	60,571	72,077	74,743	82,250	94,175	105,414	106,161	128,154
Income from HACN	-	5,851	1,425	1,500	1,945	-	-	-	-	-
Other	7,006	7,546	8,791	9,686	8,929	8,488	9,513	12,679	12,127	14,645
Total revenues	297,527	381,344	418,723	431,776	460,927	449,434	483,786	511,095	541,330	556,547
Expenditures										
Tribal Government	24,679	28,270	28,105	28,518	27,259	26,634	25,093	26,532	29,421	29,679
Health Services	103,009	177,697	201,773	220,201	236,307	246,947	259,612	289,789	293,368	305,159
Education Services	40,561	45,972	53,455	51,893	52,866	55,982	59,587	64,426	68,420	67,286
Human Services	37,290	36,214	37,625	38,315	37,829	39,761	40,738	42,514	45,167	46,725
Community Services	57,821	66,138	74,971	67,109	67,289	71,351	81,932	84,513	84,919	80,008
Other tribal services	14,640	-	-	-	-	-	-	-	-	-
Debt service										
Principal	2,002	5,003	2,148	3,710	3,630	3,525	3,475	3,555	2,400	13,760
Interest	908	1,498	1,251	1,699	1,567	1,435	1,301	1,168	1,058	1,129
Capital outlay	15,436	9,958	7,489	22,853	33,620	20,797	17,996	12,386	16,217	36,270
Total expenditures	296,346	370,750	406,817	434,298	460,367	466,432	489,734	524,883	540,970	580,016
Excess (deficiency) of revenues over expenditures	1,181	10,594	11,906	(2,522)	560	(16,998)	(5,948)	(13,788)	360	(23,469)
Other Financing Sources (Uses)										
Issuance of long-term debt	1,448	-	24,000	-	-	-	-	-	2,511	32,660
Insurance recoveries	244	273	399	122	165	37	278	102	212	159
Transfers in	15,549	9,957	21,191	8,587	18,434	19,521	10,772	6,878	8,760	19,692
Transfers out	(22,732)	(10,402)	(21,699)	(9,393)	(19,077)	(19,718)	(11,162)	(8,638)	(9,926)	(21,373)
Total other financing sources (uses)	(5,491)	(172)	23,891	(684)	(478)	(160)	(112)	(1,658)	1,557	31,138
Special Item:										
Proceeds from settlement	-	-	-	-	-	-	24,860	-	-	-
Net change in fund balances	\$ (4,310)	\$ 10,422	\$ 35,797	\$ (3,206)	\$ 82	\$ (17,158)	\$ 18,800	\$ (15,446)	\$ 1,917	\$ 7,669
Debt service as a percentage of noncapital expenditures	1.04%	1.80%	0.85%	1.31%	1.22%	1.11%	1.01%	0.92%	0.66%	2.74%

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>
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
2009	18,300	593	18,893
2008	21,201	621	21,822

Source: Cherokee Nation Tax Commission

CHEROKEE NATION

GENERAL GOVERNMENTAL REVENUES BY SOURCE (GAAP BASIS)

LAST TEN FISCAL YEARS (Dollars in Thousands)

Fiscal Year	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Motor Fuel Tax	Motor Vehicle Tax	Other Tax Revenues	Unrestricted Grants & Contributions	Investment Earnings	Dividends		Litigation Settlement	Miscellaneous	Total
									Component	from Units			
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	
2009	58,471	258,558	1,994	7,514	7,400	6,922	10,398	2,311	26,444	-	4,848	384,860	
2008	7,569	127,323	86	7,088	8,161	7,462	100,355	5,511	35,001	-	2,222	300,778	

2008 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>Other Tribal Services</u>	<u>Interest on Long Term Debt</u>	<u>Title VI</u>	<u>Tsa-La-Gi Apartments</u>	<u>CN Sanitary Landfill</u>	<u>EDTA</u>	<u>Total</u>
2017	\$ 41,010	\$ 311,892	\$ 65,666	\$46,048	\$ 78,290	\$ -	\$ 943	\$ 45	\$ 651	\$ 2,329	\$ 55	\$ 546,929
2016	32,382	303,202	68,678	45,461	85,626	-	1,046	51	523	320	17	537,306
2015	27,535	300,161	65,059	42,996	88,575	-	1,140	57	488	-	155	526,166
2014	26,464	266,606	59,753	40,917	82,796	-	1,274	70	488	-	232	478,600
2013	28,885	256,465	57,076	40,432	72,344	-	1,414	124	492	-	124	457,356
2012	29,428	244,547	54,061	38,575	68,391	-	1,569	190	473	16	46	437,296
2011	29,678	224,634	52,348	38,588	63,814	-	1,722	302	459	154	67	411,766
2010	29,841	206,013	54,085	37,932	75,600	-	1,309	469	387	128	47	405,811
2009	29,323	179,806	46,200	36,231	72,334	-	1,525	826	393	-	73	366,711
2008	24,639	103,177	40,365	37,003	51,693	15,033	1,503	1,458	394	2,292	373	277,930

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			
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
2009	23,565	2,051	1,295	22,290	-	49,201	1.38%	420
2008	28,460	2,564	1,821	26,403	-	59,248	1.75%	513

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 NINE FISCAL YEARS (Dollars in Thousands)

Health Revenue Bonds							
Fiscal Year	Beginning	Revenues	Less:	Ending	Debt Service*		Coverage
	Fund Balance		Expenses	Fund Balance	Principal	Interest	
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
2009	14,014	183,734	158,176	39,572	4,706	1,480	6.40
2008	5,189	90,045	81,220	14,014	1,540	1,279	4.97

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>
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
2009 *	1,144,628	3,572,586	30,524	6.9
2008 *	1,134,098	3,392,628	29,350	3.8

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

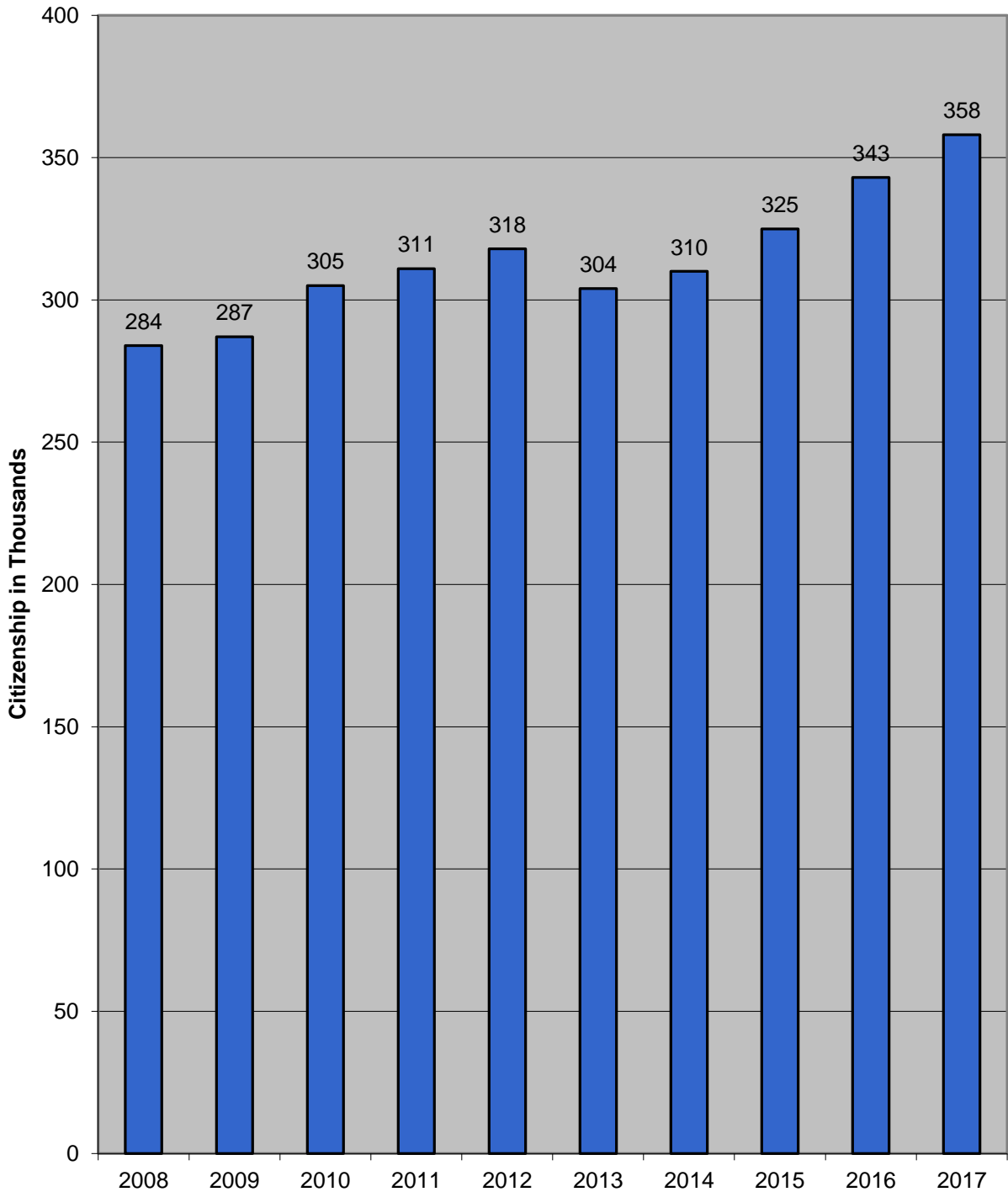
CURRENT YEAR AND NINE YEARS AGO

Employer	2008			2017		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
American Airlines & AA	9,100	1	41.99%	5,750	2	24.72%
Cherokee Nation *	1,790	3	8.26%	9,500	1	40.84%
Claremore City Schools	670	9	3.09%	750	7	3.23%
Conoco Phillips	2,400	2	11.07%	1,250	3	5.38%
Georgia Pacific Consumer Products	1,650	4	7.61%	750	8	3.23%
Grand River Dam Authority	-	-	0%	750	9	3.23%
NORDAM Group Inc	1,250	7	5.77%	-	-	0.00%
Northeastern Oklahoma State University	1,650	5	7.61%	1,250	4	5.38%
Owasso Independent School Dist #1-11	945	8	4.36%	1,250	5	5.38%
Tahlequah School District	620	10	2.86%	750	10	3.23%
Whirlpool Corporation	1,600	6	7.38%	1,250	6	5.38%
	<u>21,675</u>		<u>100%</u>	<u>23,250</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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
District*										
Cherokee	17,242	17,603	18,688	19,120	19,830	20,443	20,368	21,912	22,278	23,062
Craig	7,086	7,137	7,427	7,431	7,515	7,823	7,697	8,058	8,320	8,848
Delaware	10,098	10,317	10,946	11,311	11,587	12,657	12,783	13,330	14,113	14,526
Keeler	13,834	13,991	14,666	14,698	14,947	15,300	15,055	15,931	16,638	17,454
Mayes	11,113	11,231	11,843	12,069	12,284	11,987	11,367	11,754	12,346	12,674
Sequoyah	13,088	13,247	13,769	13,893	14,189	14,204	13,945	14,583	15,109	15,550
Three Rivers	15,564	15,710	16,478	16,594	16,832	8,642	9,027	8,718	9,259	9,459
Trail of Tears	12,054	12,286	12,877	13,110	13,318	12,987	13,075	13,726	14,043	14,321
Will Rogers	8,105	8,396	9,270	9,755	10,237	15,266	15,607	16,704	23,022	17,648
Other	176,229	178,051	189,011	193,271	197,088	184,895	191,474	199,946	207,934	224,530
Total Citizenship	<u>284,413</u>	<u>287,969</u>	<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>

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, 2017

County	Tribal Land	Government Land	Restricted Individual	Total Acres
<u>Cherokee Nation:</u>				
Oklahoma:				
Adair	14,962	19	10,271	25,251
Cherokee	2,201	97	9,439	11,737
Craig	327	-	1,843	2,170
Delaware	25,033	10	6,503	31,546
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	3,168	40	5,623	8,831
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>67,211</u>	<u>186</u>	<u>45,619</u>	<u>113,016</u>

Source: Cherokee Nation Real Estate Services

CHEROKEE NATION

PRIMARY GOVERNMENT EMPLOYEES BY FUNCTION

LAST TEN FISCAL YEARS

Regular full-time employees only

Function:	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Tribal Government	259	528	466	481	472	489	509	576	583	675
Health Services	726	924	1,039	1,112	1,198	1,270	1,315	1,392	1,489	1,722
Education Services	408	427	474	460	444	442	444	433	430	529
Human Services	291	304	313	322	328	328	335	339	365	422
Community Services	329	362	441	432	428	296	304	297	271	262
Other Tribal Services	241	-	-	-	-	-	-	-	-	-
Total	<u>2,254</u>	<u>2,545</u>	<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>3,610</u>

Source: Financial Resources Department

CHEROKEE NATION

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

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Health Services										
Ambulatory care visits	151,916	307,491	328,574	363,112	369,957	382,614	413,862	423,902	488,074	568,663
Dental patient visits	21,543	37,786	43,914	30,806	55,402	61,274	68,637	74,604	80,996	94,287
Pharmacy patient visits	79,487	119,075	247,299	307,394	379,191	435,855	484,595	480,390	609,490	649,103
Pharmacy prescription filled	501,601	672,905	1,086,505	1,461,526	1,678,692	1,828,359	1,927,395	1,961,582	1,686,360	1,716,535
Education Services										
Higher Education applications received	2,304	2,512	2,980	3,158	3,828	3,287	3,846	4,272	4,963	5,109
Higher Education applications funded	2,108	2,141	2,768	3,033	2,447	3,065	3,430	3,805	4,167	4,325
Head Start students	355	328	384	344	324	305	145	182	152	146
Immersion Class students	30	49	47	56	100	105	117	104	101	130
Sequoyah High School students	383	394	395	342	284	379	375	366	374	388
Human Services										
Child Care children served through subsidy	3,854	4,537	3,333	3,724	3,230	3,040	3,150	2,430	2,541	2,715
Child Care contracted providers	729	636	725	614	622	546	404	529	529	504
Child Care technical assistance calls and visits	3,053	5,614	3,961	2,886	1,967	1,965	1,799	1,001	925	941
Child Care monitoring visits to caregivers	1,124	957	1,031	1,020	1,038	1,001	1,000	982	1,194	1,320
Food Distribution - individuals served	114,305	130,253	121,788	104,926	110,394	109,579	127,757	133,190	139,211	135,602
Food Distribution - households served	46,049	51,716	49,640	52,087	47,582	47,428	55,414	59,339	62,505	62,173
Elder Service Advocacy individuals served	1,064	642	640	572	252	279	329	703	1,311	1,504
Community Services										
Roads/bridges project miles completed	128.70	58.22	133.15	50.95	72.82	51.49	68.84	71.77	77.81	78.19
Transit rides	-	438	3,548	15,580	38,189	44,912	67,346	109,132	93,446	102,148
Families served through rental assistance	2,578	1,546	1,549	1,366	1,929	2,189	1,880	2,673	2,554	1,939
Families subsidized in Title VI units	305	295	274	274	268	238	240	234	221	197
Rehabilitation of privately owned homes	565	209	315	346	379	609	629	610	295	477
Acquired or constructed individual homes for low-income families	13	12	14	9	40	38	29	158	277	161
Businesses funded through Commerce programs	12	21	28	53	20	28	18	24	41	46
Participants enrollments in IDA/YIDA	24	30	104	131	130	146	210	453	465	447

Source: Departments/programs as listed

CHEROKEE NATION

CAPITAL ASSET UTILIZATION BY FUNCTION

PRIMARY GOVERNMENT

LAST TEN FISCAL YEARS

(Net of Depreciation, Dollars in Thousands)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities:										
Tribal Government	\$ 3,013	\$41,269	\$ 40,956	\$ 42,732	\$ 43,950	\$ 49,706	\$ 52,295	\$ 52,873	\$ 65,734	\$ 98,370
Health Services	41,238	45,261	46,134	60,260	84,086	88,522	95,747	131,097	136,691	134,891
Education Services	9,479	9,622	9,968	10,323	10,124	10,067	9,698	9,302	8,963	8,661
Human Services	571	902	1,173	1,111	1,502	6,205	6,152	5,891	5,661	5,432
Community Services	3,264	2,715	3,336	5,137	6,947	4,555	4,288	5,192	4,442	3,396
Other Tribal Services	37,251	-	-	-	-	-	-	-	-	-
Governmental activities, net	<u>\$94,816</u>	<u>\$99,769</u>	<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>
Business-type activities:										
Enterprise Funds	\$ 599	\$ 548	\$ 645	\$ 588	\$ 533	\$ 483	\$ 435	\$ 386	\$ 2,217	\$ 1,706
Business-type activities, net	<u>\$ 599</u>	<u>\$ 548</u>	<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>

CHEROKEE NATION

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

District*	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Cherokee	4,357	4,421	4,622	4,681	4,882	5,025	4,733	4,248	4,833	4,930
Craig	1,334	1,361	1,378	1,341	1,325	1,341	1,314	1,312	1,403	1,319
Delaware	2,302	2,310	2,336	2,372	2,524	2,689	2,558	2,483	2,653	2,745
Keeler	1,801	1,916	1,871	1,856	2,271	2,993	5,468	5,677	6,537	6,803
Mayes	2,152	2,126	2,199	2,321	2,387	2,411	2,456	2,489	2,554	2,619
Sequoyah	2,124	2,101	2,109	2,158	2,540	2,534	2,518	2,475	2,584	2,665
Three Rivers	2,680	2,713	2,851	2,936	2,850	2,948	4,007	3,797	4,087	3,975
Trail of Tears	2,260	2,403	2,504	2,466	2,337	2,576	2,614	2,492	2,589	2,640
Will Rogers	2,246	2,303	2,598	2,574	2,760	2,812	2,814	2,835	2,930	3,018
Total Cherokee Students	<u>21,256</u>	<u>21,654</u>	<u>22,468</u>	<u>22,705</u>	<u>23,876</u>	<u>25,329</u>	<u>28,482</u>	<u>27,808</u>	<u>30,170</u>	<u>30,714</u>

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 citizenship is shown in the original nine district breakout. Reports have been compiled similarly to prior years' reporting to maintain consistency.

Source: MVT apportionment