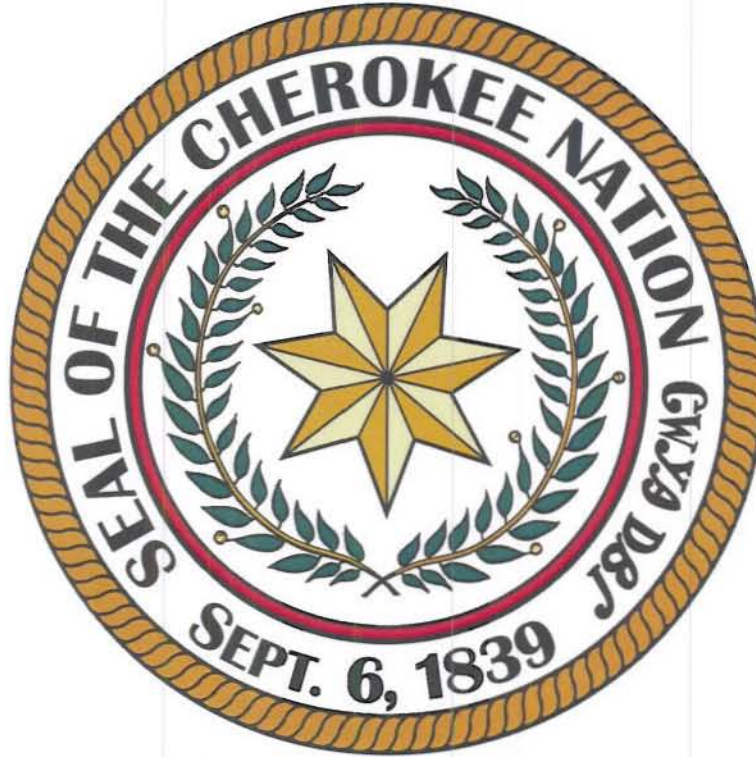


CHEROKEE NATION

Tahlequah, Oklahoma



COMPREHENSIVE ANNUAL FINANCIAL REPORT

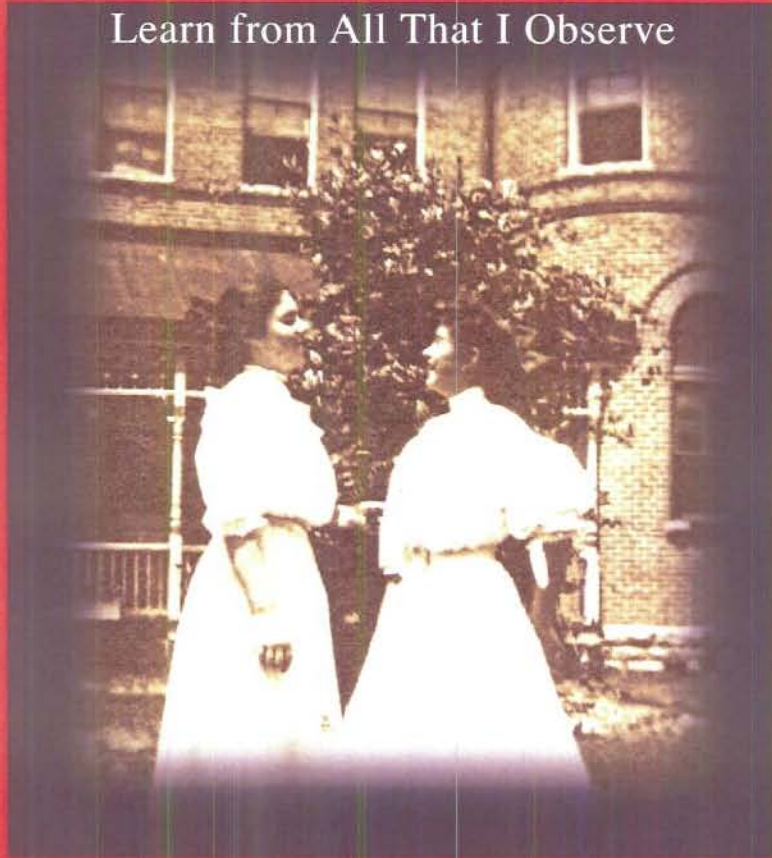
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SEPTEMBER 30, 2009



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CHEROKEE NATION®
Tahlequah, Oklahoma

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Learn from All That I Observe



Comprehensive Annual Financial Report

Year Ended September 30, 2009

Prepared by Financial Resources Group

CHEROKEE NATION
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

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GWY



J.C.A.U.C.A.

CHEROKEE

PHOENIX.

VOL. I.

NEW ECHOTA, THURSDAY MARCH 13, 1828.

NO. 4.

BY ELIAS BUCHANAN,
 EDITED WEEKLY BY
W. H. HARRIS,
 AT THE CHEROKEE PRESS,
 IN THE CITY OF NEW ECHOTA,
 GEORGIA.

Subscription price, \$2.00 per annum in advance, or \$3.00 per annum if paid at the end of the year.

Advertisements will be considered as of no value unless they give notice to the printer of the amount of the advertisement.

Advertisements will be printed as follows:—One square, one column, one week, for \$1.00; one column, one month, for \$3.00; one column, three months, for \$8.00; one column, six months, for \$15.00; one column, one year, for \$28.00. For longer periods, and for larger advertisements, the price will be ascertained on application.

Advertisements will be inserted in the Cherokee at the rate of \$1.00 per line for the first week, and \$0.50 for each subsequent week.

Advertisements will be inserted in the Cherokee at the rate of \$1.00 per line for the first week, and \$0.50 for each subsequent week.

It is known, that the chief, the
 of the Cherokee Nation, has
 posed an act of aggression for all
 for which they may have been
 ed, and to the effect, and have
 by agreed that after this evening
 all kinds of acts, all kinds of
 every class, of crime, and the
 and class of tribes, have
 agreed that if so found, any life
 but without notice intended, the
 and aggressor shall not be
 held guilty.

It is known also, that should it
 happen that a brother, greeting
 his friend, should be insulted
 in any way, he shall be
 held responsible for the same,
 and should his name be
 mentioned in any way, he shall
 be held responsible for the same.

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The Cherokee Nation's mission is "gadugi" – working together as individuals, families and communities for a better quality of life for this and future generations by promoting confidence, the tribal culture and an effective, sovereign government. Cherokees have always understood that to accomplish our goals we must learn. A thirst for learning is a part of who we are – the most important thing to be built after the removal to Indian Territory was a school, the first educational institution for women west of the Mississippi. We value and encourage lifelong learning. The historic pictures in this Comprehensive Annual Financial Report represent the Cherokee interest in education.

INTRODUCTORY SECTION

GWY D.P.
CHEROKEE NATION®
 Comprehensive Annual Financial Report



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CHEROKEE NATION™

P.O. Box 948 • Tahlequah, OK 74465-0948 • (918) 453-5000

ᏍᏍᏍᏍ
Chad "Cornassel" Smith
Principal Chief

ᏍᏍᏍᏍ ᏍᏍᏍᏍ
Joe Grayson, Jr.
Deputy Principal Chief

March 26, 2010

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

We are pleased to submit the Comprehensive Annual Financial Report of the Cherokee Nation (the "Nation" or "Tribe") for the fiscal year ended September 30, 2009. 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 results of operations for the year ended September 30, 2009.

A comprehensive analysis of the Nation's financial position and activities for the year are contained in this report. It has been prepared by the Nation's Financial Resources Group 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.

Organization of the Government

The Nation is the federally recognized government of the Cherokee people and has sovereign status granted by treaty and law. The Nation is the second largest federally recognized tribe in the United States and is located within the 14 counties of northeastern Oklahoma. The boundary runs northerly and southeasterly from Tulsa, Oklahoma to the Kansas and Arkansas state borders. The Nation's jurisdictional area—which consists of 9,234 square miles and includes all of nine counties and portions of five other counties—was established following the historical boundaries of the Cherokee Nation after the Treaty of 1866.

The Cherokee Nation has a tripartite form of government designed after the original democratic form of government of the Iroquois that was adopted by the United States. 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:

- (1) ***Executive Branch*** - The executive power is vested in the Principal Chief, currently Chadwick "Cornassel" Smith. 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 Chief, currently Joe Grayson, Jr., is empowered to act as directed by the Chief.

- (2) **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 nine districts of the Cherokee Nation and two at-large members who represent citizens living outside the jurisdictional area. The Council elects a Speaker, currently Meredith A. Frailey and a Deputy Speaker, currently Cara Cowan-Watts. The role of the Tribal Council is to adopt legislation and to conduct other business in the best interest of the Cherokee people.
- (3) **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 Darrell R. Matlock. 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.

Between 1907 and 1971, the President of the United States appointed the Principal Chief of the Cherokee Nation. Special Congressional legislation was enacted to restore elective rights to the Cherokee people and, in 1971 W. W. Keeler became the first elected Principal Chief of the Nation under this legislation. In 1975, Ross O. Swimmer was elected to the office of the Chief and was re-elected in 1979 and 1983. In December 1985, Ross O. Swimmer resigned as Principal Chief of the Nation to become the Assistant Secretary of the Department of Interior Bureau of Indian Affairs. The vacated office of the Principal Chief was devolved upon Wilma Mankiller, formerly Deputy Chief, for the remainder of the term and she was elected to four-year terms in 1987 and 1991. Wilma Mankiller chose not to seek re-election in 1995. Joe was elected as Principal Chief in 1995. In 1999, Chad Smith was elected as Principal Chief. He re-elected as Principal Chief in the 2003 and 2007 tribal elections and has continued his mission improving services, increasing cultural awareness and increasing the resources for the the Cherokee Nation throughout 2009.

Government Services Provided

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 Secretary of State, the Treasurer and the Secretary of Natural Resources. The Secretary of State 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 Treasurer 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 Natural Resources advises the Chief on natural resource issues and works to advance the Nation's top environmental strategic priorities. The Secretary of Natural Resources office is vacant.

The Constitution also created an office of Attorney General and an office of Marshal. The General and Marshal are appointed by the Principal Chief and confirmed by the Tribal term of five (5) years. The terms of the Attorney General and Marshal shall not be concurrent. Attorney General represents the Cherokee Nation in all criminal cases in the courts of the

in all civil actions wherein the Cherokee Nation is named as a party and shall have such other as the Council may prescribe by law. The Marshal's duties and authority are prescribed by Marshal provides law enforcement within the jurisdiction of the Cherokee Nation.

The staff of the Principal Chief includes the Group Leaders of the respective groups who provide oversight and general direction. The three major Teams are Direction, Service, and Resources.

These Teams are comprised of the following:

1. Direction Team
 - a. Communications
 - b. Direction
 - c. Government Relations
 - d. Tribal Relations
2. Service Team
 - a. Career Services
 - b. Commerce Services
 - c. Community Services
 - d. Education Services
 - e. Health Services
 - f. Housing Services
 - g. Human Services
 - h. Leadership Services
3. Resource Team
 - a. Financial Resources
 - b. Government Resources
 - c. Human Resources
 - d. Information Systems
 - e. Management Resources

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. 39 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 related companies
- Housing Authority of the Cherokee Nation ("HACN")
- Cherokee Nation Comprehensive Care Agency ("CNCCA")
- Cherokee Nation Home Health Services, Inc. ("CNHHS")
- Cherokee Nation Waste Management, LLC ("CNWM")
- 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.

Excluded Organizations

During 2009, the following organizations did not meet the criteria for inclusion in the reporting and accordingly their financial operations are excluded from this report.

Cherokee Nation Education Foundation
Cherokee National Historical Society

Financial Information

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 generally accepted accounting principles. 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 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 for the fiscal year ended September 30, 2009, are included in a separately Single Audit Report.

Budget - 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 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 assets. 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 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 reports; therefore, no reconciliation is necessary.

Economic Outlook

Since fiscal year 2002, the Cherokee Nation primary government has increased its total assets approximately \$282,538,000 or 208%. This growth is aligned with our vision for the Cherokee Nation as stated in the Declaration of Designed Purpose. This vision states, "The Cherokee shall achieve and maintain an enriching cultural identity, economic self-reliance, and a strong government." The Nation's long-term financial planning process utilizes a Strategic Budget Committee to ensure discretionary resources are used to support the vision of the Nation. The planning process encompasses the annual financial budget process, as well as long-term planning for use of the Nation's resources.

Through expansion of its component units, the Nation is working to establish a self-reliant economy for the citizens of the Nation. In addition to the expansion of component units, the Nation has been successful in partnering with local governments to attract new industries and create jobs within the Nation's jurisdiction.

Long term financial planning has enabled the Nation to look beyond what it takes to just maintain services and cultivates looking to the future on how to promote traditional Cherokee families and values. Our departments are preparing their budgets and employees for the upcoming years to incorporate long term goals in order to meet the strategic initiatives of the Nation: Language, Jobs, and Community.

Use of the Report

This report will be submitted to the Federal Clearing House and the National Business Center compliance with the requirements of the Office of Management and Budget ("OMB") Circular "Audits of States and Local Governments and Non-Profit Organizations." Copies of the reports also be submitted to elected officials of the Nation and various other agencies which require consistent with the administration of funding provided to the Nation under grants and 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 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 are to have a significant effect on the Nation's financial position or results of operations.

Certificate of Achievement

The Government Finance Officers Association ("GFOA") of the United States and Canada 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, This was the eighth consecutive year that the Nation has achieved this prestigious award. In 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 accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program’s requirements. We are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

The preparation of the 2009 CAFR was an extremely complex task requiring the professional the entire Financial Resources Group. We would like to express our gratitude to the Financial Resources Group for their dedication and hard work. We 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,



Callie Catcher
Treasurer

**Cherokee Nation
Tribal Officials
2009**

EXECUTIVE BRANCH

**Chadwick "Cornassel" Smith
Principal Chief**

**Joe Grayson, Jr.
Deputy Principal Chief**

LEGISLATIVE BRANCH

**Meredith A. Frailey
Speaker
District 6
Mayes**

**Cara Cowan-Watts
Deputy Speaker
District 7
Will Rogers**

**Bill John Baker
District 1
Cherokee**

**Tina Glory-Jordan
District 1
Cherokee**

**S. Joe Crittenden
District 2
Trail of Tears**

**Jody Fishinghawk
District 2
Trail of Tears**

**David Thornton, Sr.
District 3
Sequoyah**

**Janelle Lattimore-Fullbright
District 3
Sequoyah**

**Don Garvin
District 4
Three Rivers**

**Harley Buzzard
District 5
Delaware**

**Curtis Snell
District 5
Delaware**

**Chris Soap
District 6
Mayes**

**Buel Anglen
District 8
Oologah**

**Bradley Cobb
District 8
Oologah**

**Chuck Hoskin, Jr.
District 9
Craig**

**Jack D. Baker
At Large**

**Julia Coates
At Large**

JUDICIAL BRANCH

**Darrell R. Matlock
Chief Justice**

**Supreme Court
Darrell R. Dowty
Justice**

**James G. Wilcoxen
Justice**

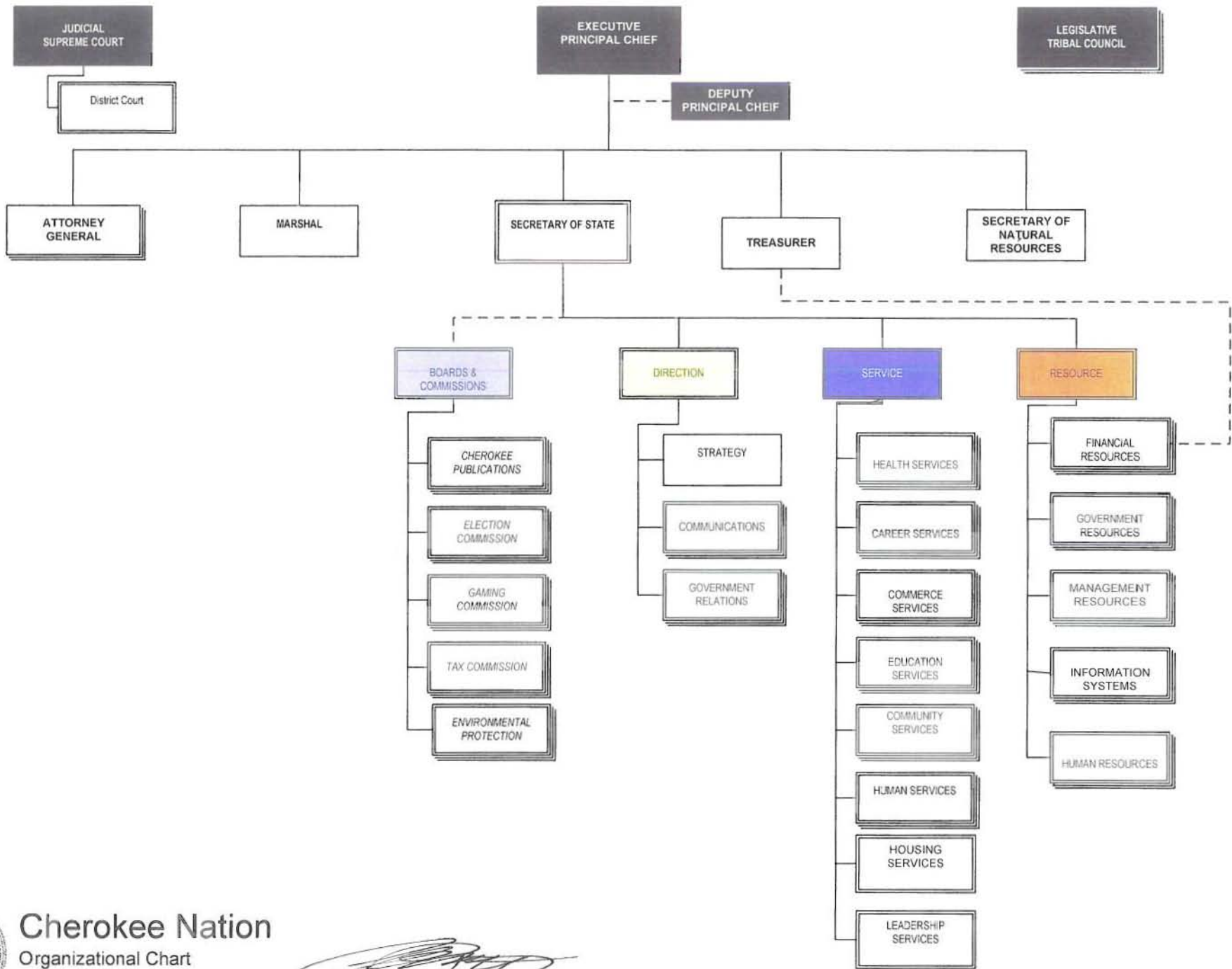
**Kyle B. Haskins
Justice**

**Troy Wayne Poteete
Justice**

**John Cripps
Judge**

District Court

**Bart Fite
Judge**



Cherokee Nation

Organizational Chart
September 30, 2009

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, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



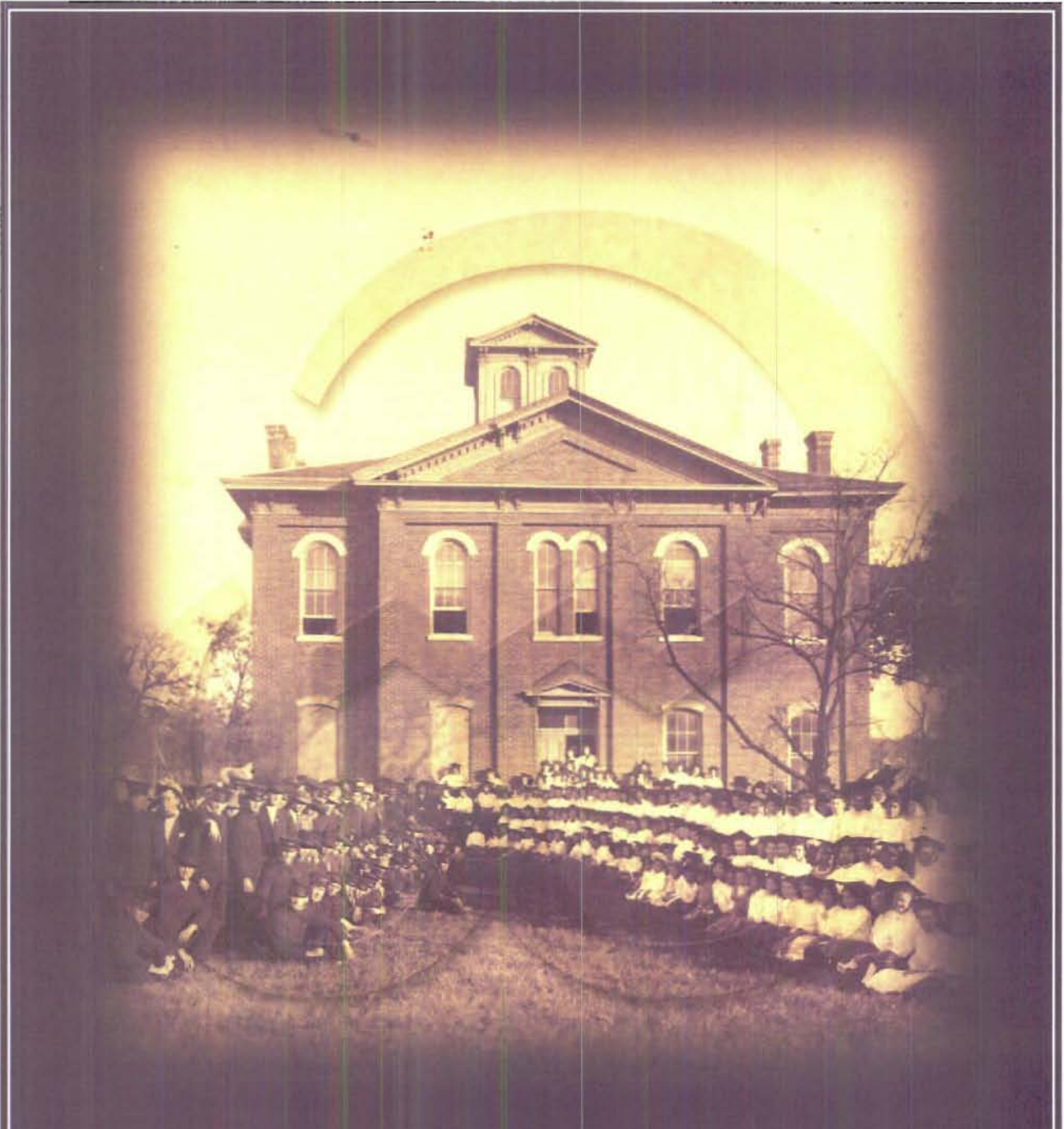
A stylized handwritten signature in black ink, consisting of several loops and a long horizontal stroke extending to the right.

President

A handwritten signature in black ink that reads "Jeffrey R. Emer".

Executive Director

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FINANCIAL

SECTION

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CHEROKEE NATION®

Comprehensive Annual Financial Report

Independent Accountants' Report on Financial Statements and Supplementary Information

The 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, 2009, which collectively comprise the Nation's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Nation's management. 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) or Cherokee Nation Comprehensive Care Agency (CNCCA), which are discretely presented component units of the Nation. The financial statements of HACN and CNCCA, which collectively comprise 20% of total assets and 1% of total operating revenues of the aggregate discretely presented component units, were audited by other accountants whose reports have been furnished to us and our opinion, insofar as it relates to the amounts included for HACN and CNCCA, is based solely on the reports of the other accountants.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other accountants provide a reasonable basis for our opinions.

As discussed in *Note 1*, in 2009, CNB, a discretely presented component unit of the Cherokee Nation, changed its method of accounting for intangible assets.

In our opinion, based on our audit and the reports of other accountants, 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 Cherokee Nation as of September 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Principal Chief and Tribal Council
Cherokee Nation

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2010, on our consideration of the Nation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The accompanying information in the statistical section, as listed in the table of contents, has not been subjected to the procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

BKD LLP

March 26, 2010

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, 2009. 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 – PRIMARY GOVERNMENT

- The Nation's assets exceeded its liabilities at the end of fiscal year 2009 by \$207 million (net assets). Of this total amount, \$71 million are unrestricted net assets that may be used to meet the government's ongoing obligations.
- The Nation's overall liabilities increased by approximately \$20 million to \$211 million.
- The net assets increased by \$18 million, which is largely attributable to unspent program income in Self Governance Department of Health and Human Services ("DHHS").

OVERVIEW OF THE 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. A brief description of the basic financial statements follows:

Basic Financial Statements

The basic financial statements include two types of financial statements that present different views of the Nation, the *Government-Wide Financial Statements* and the *Fund Financial Statements*. The basic financial statements also include *Notes to Basic Financial Statements*, which explain and provide additional detail about some of the information contained in the 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 management focus. The government-wide financial statements include the Statement of Net Assets and the Statement of Activities.

The *Statement of Net Assets* presents the assets and liabilities for the entire Nation, with the difference reported as "net assets." Increases or decreases in net assets 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 assets changed during the fiscal year. All changes in net assets 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* – This section 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* – These types of 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, Landfill Operations, Economic Development Trust Authority, and Other Enterprise Activities.
- *Discretely Presented Component Units* – These 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 related companies
- The Housing Authority of the Cherokee Nation ("HACN")
- Cherokee Nation Comprehensive Care Agency ("CNCCA")
- Cherokee Nation Home Health Services, Inc. ("CNHHS")
- Cherokee Nation Waste Management, LLC ("CNWM")

Complete financial statements for CNB, HACN, CNCCA, CNHHS and CNWM can be obtained from their respective administrative offices, or by contacting Cherokee Nation, Office of the Controller.

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 – Most of the services provided by the Nation are financed and reported through the governmental funds. 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 flow of current financial resources 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.

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 Fund Balance Sheet and the Governmental Fund 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 29 and 31 of the financial statements.

The Nation maintains four major governmental funds, each presented in a separate column in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances. The Nation's four major governmental funds are the General, Self Governance Department of Interior ("DOI") Roads, Self Governance Department of Health and Human Services ("DHHS"), and Housing and Urban Development ("HUD"). In addition, the Nation maintains fifteen nonmajor funds, including a capital projects fund, a debt service fund and two permanent funds to account for other governmental activity. The governmental fund statements can be found on pages 29 and 30 of this report.

Proprietary Funds – These 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 33 - 35 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 four 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, Landfill Operations, Economic

Development Trust Authority (“EDTA”), and Other Enterprises, which were closed out in fiscal year 2009. The nonmajor enterprise combining financial statements can be found on pages 86 - 88 of this report.

Internal Service Funds – The 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* – used to account for the cost to maintain buildings for use by other funds of the Nation.
- *Force Accounts* – used to acquire and maintain equipment and supplies used by other funds of the Nation. The Nation closed out the force accounts in fiscal year 2009.
- *Fringe Pool* – used to account for the cost of fringe benefits, including the Nation's self-insured health care and worker's compensation benefits, used by other funds of the Nation.
- *Indirect Cost Pool* – used to account for the cost of providing certain services, such as accounting, human resources, and acquisition management, to other funds of the Nation.

The internal service funds combining financial statements can be found on pages 89 - 91 of this report.

Cherokee Nation Component Unit Financial Statements – As previously mentioned above, the component units 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 component units in a single column. The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets present detail for each of the five discretely presented component units.

The financial statements for component units can be found on pages 36 - 38 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 39 - 83 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, one of the Nation's component units and a budgetary comparison schedule for the Nation's enterprise funds. The supplementary information section begins on page 84.

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 financial statements, and other supplementary information as it relates to the government's overall financial health. Included in the statistical section are schedules related to financial trends, revenue capacity, debt capacity, demographic and economic indicators, and operating information. The statistical information section begins on page 95.

COMPARATIVE ANALYSIS FOR MAJOR FUNDS

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

Major Fund	2009	2008	Increase/ (Decrease)	Percentage Increase/ (Decrease)
General Fund				
Revenues and transfers in	\$ 61,866	\$ 79,387	\$ (17,521)	(22.1)%
Expenditures and transfers out	78,190	75,575	2,615	3.5 %
Self Governance DOI Roads				
Revenues and transfers in	5,714	19,964	(14,250)	(71.4)%
Expenditures and transfers out	5,714	19,964	(14,250)	(71.4)%
Self Governance DHHS				
Revenues and transfers in	183,734	90,045	93,689	104.0 %
Expenditures and transfers out	158,176	81,220	76,956	94.8 %
Housing and Urban Development				
Revenues and transfers in	36,777	32,965	3,812	11.6 %
Expenditures and transfers out	36,855	32,603	4,252	13.0 %
Title VI Loan Fund				
Revenues and transfers in	816	1,464	(648)	(44.3)%
Expenses and transfers out	826	1,458	(632)	(43.3)%

General Fund:

Decreases for General Fund revenues are primarily the result of decreased dividends from component units due to the softening of the gaming markets. Transfers in decreased as a result of transferring Arkansas Riverbed funds from the Special Revenue fund to the General Fund during fiscal year 2008.

General Fund expenditures increased in fiscal year 2009 as compared to fiscal year 2008 as a result of expanded projects that contribute to the Nation's strategic initiatives of jobs, language, and communities. Transfers out decreased due to a transfer out in fiscal year 2008 to the Fringe Pool.

The Nation's unreserved fund balance decreased by \$13 million during fiscal year 2009. The decrease in fund balance was primarily the result of decreased revenues of \$9.7 million versus the prior year. Economic conditions adversely impacted the Nation's dividend income by approximately \$8.7 million, and lower interest rates resulted in a reduction of interest income of \$1.1 million. The decrease in unreserved fund balance was anticipated by the Nation in the annual comprehensive budget. At the end of fiscal year 2009, the unreserved fund balance is approximately 35% of fiscal year 2009 General Fund revenues.

Self Governance DOI Roads:

Both the revenues and transfers in and expenditures and transfers out decreased due to a reduction in the number of roads being in the major construction phase and a larger number of roads being in the planning and design phases as compared to the previous year.

Self Governance DHHS:

Self Governance DHHS revenues and expenditures increased in fiscal year 2009 primarily resulting from the assumption of operations of WW Hastings Hospital in Tahlequah, Oklahoma. The Nation assumed operations of WW Hastings Hospital on October 1, 2008. The operations were funded by a combination of grant funds through the Self-Governance DHHS compact and third party revenue generated from operations. WW Hastings Hospital had \$91 million in revenue and \$66 million in expenditures for fiscal year 2009. In addition, the Nation's Muskogee clinic which expanded in 2008 had a full year of operations in fiscal year 2009 as compared to eight months of operations in fiscal year 2008.

Housing and Urban Development:

Revenues and transfers in increased in the HUD programs primarily due to receipt of program income from the HACN.

HUD expenditures and transfers out increased from fiscal year 2008 as a result of the use of program income receipts for the Title VI program and increased services provided for mortgage assistance and rehabilitation of homes.

Title VI Loan Fund:

Revenues and transfers in decreased in fiscal year 2009 as compared to fiscal year 2008 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, as well as lower interest rates on the variable portion of the loan.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets

As stated earlier, the government-wide financial statements are presented to give a broad overview of the government as a whole. Total assets for the Nation's governmental activities at fiscal year ended September 30, 2009 were \$390 million. Of the \$390 million, \$100 million was related to investment in capital assets such as land, buildings, and equipment. Other assets, primarily cash, investments, and receivables, represent funds available to meet both current and future obligations of the Nation.

Total liabilities of the Nation's governmental activities at September 30, 2009 were \$187 million. Of this amount, approximately \$27 million related to long-term obligations primarily for the bonds issued to construct two health clinics and expand a third health clinic. Other liabilities represented accounts payable, deferred grant revenue, and other obligations generally due within one year of the financial statement date.

The assets of the Nation's governmental activities exceeded liabilities at September 30, 2009 by \$203 million, which is stated as net assets.

The Nation's business-type activities had total assets of \$28 million at September 30, 2009. Of the \$28 million, \$1 million was related to investment in capital assets such as land, buildings and equipment. The liabilities related to the business-type activities at fiscal year end were \$25 million. The majority of this amount was related to long-term obligations primarily for the Title VI guaranteed loan program used to provide affordable housing to Tribal citizens and economic development trust authority loans for small business development, and the Landfill. Other liabilities represented accounts payable and other obligations generally due within one year of the financial statement date. The assets of the Nation's business-type activities exceeded liabilities at September 30, 2009 by \$3 million, which is stated as net assets. The following table presents the Nation's net assets for the primary government (dollars in thousands):

Cherokee Nation's Net Assets							
	Governmental		Business-Type		Total		Increase/ (Decrease)
	Activities		Activities				
	2009	2008	2009	2008	2009	2008	
Current and other assets	\$ 290,441	\$ 253,856	\$ 27,356	\$ 30,749	\$ 317,797	\$ 284,605	\$ 33,192
Capital assets	<u>99,769</u>	<u>94,816</u>	<u>548</u>	<u>599</u>	<u>100,317</u>	<u>95,415</u>	<u>4,902</u>
Total assets	<u>390,210</u>	<u>348,672</u>	<u>27,904</u>	<u>31,348</u>	<u>418,114</u>	<u>380,020</u>	<u>38,094</u>
Long-term debt outstanding	26,911	32,845	22,290	26,403	49,201	59,248	(10,047)
Other liabilities	<u>159,721</u>	<u>129,812</u>	<u>2,485</u>	<u>2,402</u>	<u>162,206</u>	<u>132,214</u>	<u>29,992</u>
Total liabilities	<u>186,632</u>	<u>162,657</u>	<u>24,775</u>	<u>28,805</u>	<u>211,407</u>	<u>191,462</u>	<u>19,945</u>
Net assets invested in capital assets, net of related debt	74,152	62,021	253	204	74,405	62,225	12,180
Restricted	61,015	36,739	310	310	61,325	37,049	24,276
Unrestricted	<u>68,411</u>	<u>87,255</u>	<u>2,566</u>	<u>2,029</u>	<u>70,977</u>	<u>89,284</u>	<u>(18,307)</u>
Total net assets	<u>\$ 203,578</u>	<u>\$ 186,015</u>	<u>\$ 3,129</u>	<u>\$ 2,543</u>	<u>\$ 206,707</u>	<u>\$ 188,558</u>	<u>\$ 18,149</u>

\$74 million of the net assets balance represents investment in capital assets, net of related debt. Restricted net assets represent external restrictions placed upon assets of the Nation. The largest category of restricted net assets is related to net assets restricted for specific program purposes. Of the total net assets, \$71 million is reported as unrestricted net assets. The unrestricted net assets represent amounts available for future services for the Nation's citizens, obligations, and creditors.

At September 30, 2009, the Nation reported positive net assets for the government as a whole, as well as for its separate governmental and business-type activities.

Changes in Net Assets

The Nation's total net assets increased by \$18 million, or 10%, during the year. Total revenues for fiscal year ended September 30, 2009 were \$381 million. Total expenses of the Nation were \$365 million, which cover a variety of services. Approximately 50% of the total expenses were for health care for Tribal citizens. In total, governmental-type revenues exceeded expenses by \$17 million, resulting in an increase in net assets. Net revenues for business-type activities exceeded expenses by \$1 million, resulting in an increase in net assets. The changes in net assets during 2009 are as follows (dollars in thousands):

Cherokee Nation's Changes in Net Assets

	Governmental		Business-Type		Total	
	Activities	Activities	Activities	Activities	2009	2008
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for services	\$ 56,968	\$ 21,205	\$ 1,503	\$ 3,149	\$ 58,471	\$ 24,354
Operating grants/contributions	258,558	200,322	-	-	258,558	200,322
Capital grants/contributions	1,994	86	-	-	1,994	86
General revenues:						
Motor fuel tax	7,514	7,088	-	-	7,514	7,088
Motor vehicle tax	7,400	8,161	-	-	7,400	8,161
Tobacco tax and fees	5,312	6,254	-	-	5,312	6,254
Sales tax	1,610	1,208	-	-	1,610	1,208
Grants and contributions not restricted to specific programs	10,398	10,571	-	-	10,398	10,571
Unrestricted investment earnings	2,293	5,439	18	72	2,311	5,511
Dividends from Component Units	26,444	35,001	-	-	26,444	35,001
Miscellaneous	4,848	2,222	-	-	4,848	2,222
Gain/(loss) on disposals	-	-	-	1,044	-	1,044
Total revenues	383,339	297,557	1,521	4,265	384,860	301,822
Expenses:						
Tribal government	29,323	28,422	-	-	29,323	28,422
Health services	179,806	103,177	-	-	179,806	103,177
Education services	46,200	40,365	-	-	46,200	40,365
Human services	36,231	37,003	-	-	36,231	37,003
Community services	72,334	62,943	-	-	72,334	62,943
Interest on long-term debt	1,525	1,503	-	-	1,525	1,503
Total governmental expenses	365,419	273,413	-	-	365,419	273,413
Title VI Loan Fund	-	-	826	1,458	826	1,458
Tsa-La-Gi Apartments	-	-	393	394	393	394
Landfill Operations	-	-	-	2,292	-	2,292
EDTA	-	-	73	373	73	373
Total business-type expenses	-	-	1,292	4,517	1,292	4,517
Increase in net assets before transfers	17,920	24,144	229	(252)	18,149	23,892
Transfers	(357)	(1,561)	357	1,561	-	-
Change in net assets	17,563	22,583	586	1,309	18,149	23,892
Net assets—Beginning of year	186,015	163,432	2,543	1,234	188,558	164,666
Net assets—End of year	\$ 203,578	\$ 186,015	\$ 3,129	\$ 2,543	\$ 206,707	\$ 188,558

As indicated earlier in this report, the increase in net assets in 2009 is largely attributable to unspent program income in SG DHHS. The more significant increases in expenses in fiscal year 2009 as compared to fiscal year 2008 are as follows:

Tribal government – The increase in expenditures resulted primarily from projects such as building repairs and maintenance, as well as comprehensive long term planning for the governmental needs.

Health services – Increased funding for WW Hastings Hospital, contract health, Community Recreation Center, health equipment replacement, WIC, health clinic construction, health clinic operations, Community Anti Drug Network, and Many Paths.

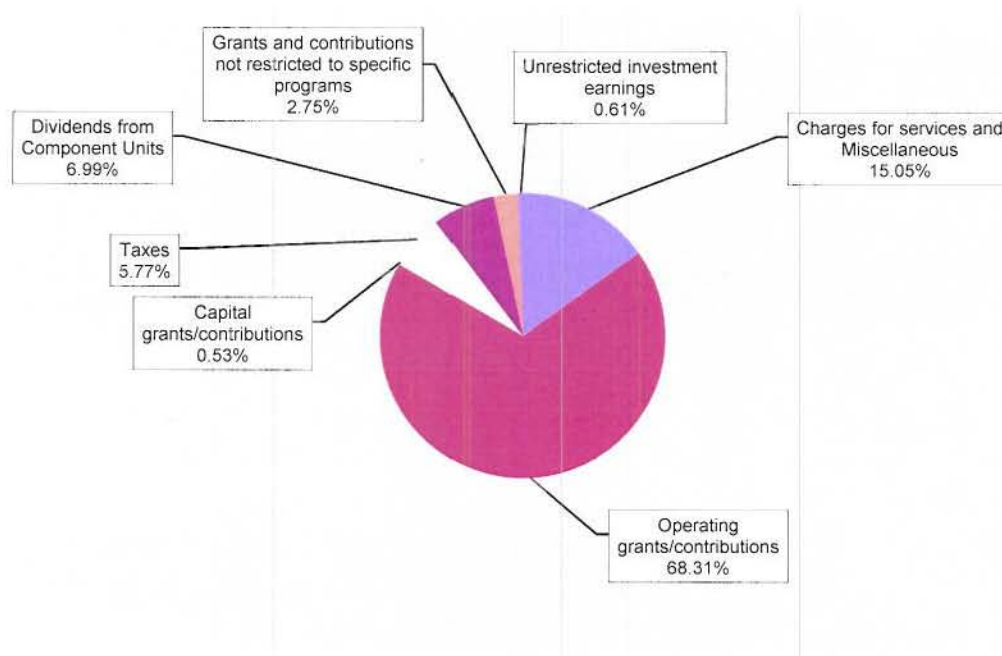
Education services – Increased funding for the Arts Institute, Directed Studies, Public School Outreach, Education Data and Development, MFT Higher Ed Scholarships, Head Start, and Community Investment programs.

Human services – Decreased funding for rental assistance offset by increases for Bright Futures, Clothing for Kids, Juvenile Healing to Wellness, Low Income Heating and Energy Assistance Program (“LIHEAP”), Indian Child Welfare (“ICW”) Meth Reduction Initiative, and Child Care.

Community services – Increased funding for Community Works and Buildings projects, Housing Development, Mutual Help Operations, Monthly Equity Payment Accounts (“MEPA”), Proceeds of Sale, and Saline Courthouse.

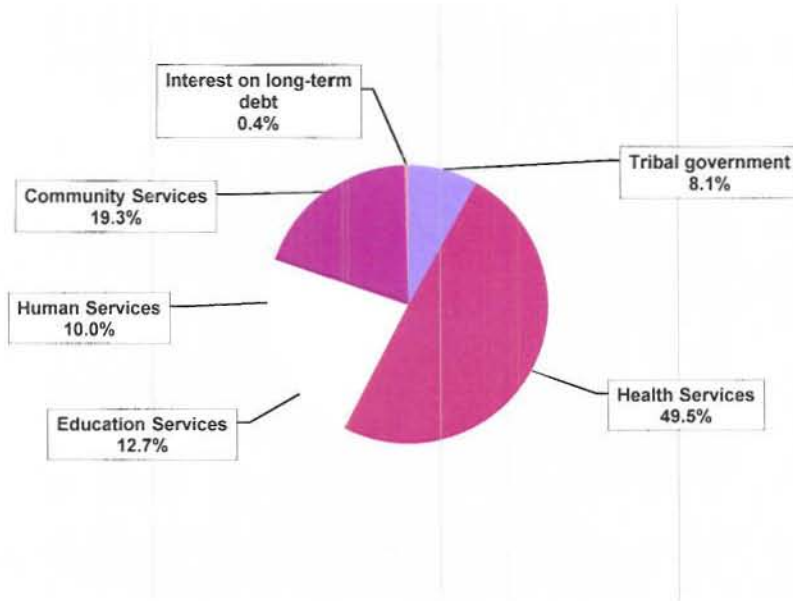
Graph 1 depicts revenues by source for the Governmental Activities of the Nation.

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 28.

SIGNIFICANT BUDGET VARIATIONS

The Nation's significant General Fund budget variations in 2009 were as follows (dollars in thousands):

	Original Budget	Final Budget	Variance Increase/ (Decrease)	Percentage Increase/ (Decrease)	Actual	Variance Increase/ (Decrease)	Percentage Increase/ (Decrease)
Revenues:							
Property rentals	\$ 639	\$ 639	\$ -	- %	\$ 1,634	\$ 995	156%
Interest	1,627	1,777	150	9%	1,150	(627)	(35%)
Trust fund income	69	69	-	- %	100	31	45%
3rd party revenues	279	279	-	- %	941	662	237%
Income from HACN	-	-	-	- %	2,364	2,364	55%
Other	6,181	4,965	(1,216)	(20%)	2,540	(2,425)	(49%)
Expenditures:							
Tribal government	35,385	34,749	(636)	(2%)	23,804	(10,945)	(31%)
Education services	18,167	19,284	1,117	6%	14,967	(4,317)	(22%)
Community services	31,829	33,867	2,038	6%	19,147	(14,720)	(43%)
Capital outlay	9,061	16,986	7,925	87%	4,825	(12,161)	(72%)

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 changes in levels of actual revenues and expenditures/expenses. Variances between actual and final budget were as follows:

General Fund Revenues:

Property rentals – Actual revenues were higher due to rental receipts received for housing services but not budgeted.

Interest - Actual income was less than budgeted primarily due to lower interest rates during 2009.

Trust fund income – Actual income was higher as a result of greater oil and gas royalties.

3rd party revenues – Actual revenue was higher attributable to insurance receipts on housing activities that were not budgeted.

Income from HACN – Actual income was higher than budget because the HACN was able to contribute more support for housing programs than originally planned.

Other – Actual revenues were less than budget due to receipts of final payments from the HACN being lower than expected.

General Fund Expenditures:

Tribal government - The actual expenditures were less than budget, primarily caused by reserves established for cash match for grants, contingencies and capital improvements which were not utilized in 2009 as well as contracts not completed on the Vinita Clinic Utilities and the new Tribal Employment Rights Office ("TERO") Job Training program.

Education services – Actual expenditures were less than budget due to program budgets not expended at the level originally planned.

Community services – Actual expenditures were less than budget as a result of reserves for Motor Vehicle revenue allocations which are reserved in the current year and expended in the following year, timing of projects including self-help community waterlines, roads construction and bridge construction. Other programs did not expend funds at the level budgeted.

Capital outlay - The Nation's budget included approximately \$5 million for strategic land and building purchases from the proceeds of the Arkansas Riverbed settlement funds. Actual expenditures were less than budget partially due to timing of land and building purchases and equipment purchases for health related equipment and Capital Improvements planning.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The Nation's capital assets, net of depreciation, at the end of fiscal year 2009 were \$100 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):

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Land and improvements	\$ 15,772	\$ 81	\$ 15,853
Construction in Progress	410	-	410
Buildings and improvements	67,056	467	67,523
Equipment	<u>16,531</u>	<u>-</u>	<u>16,531</u>
Total capital assets	<u>\$ 99,769</u>	<u>\$ 548</u>	<u>\$ 100,317</u>

Additional information on the Nation's capital assets can be found in Note 8 on pages 63 - 65 of this report.

The Nation's long-term debt at the end of fiscal year 2009 was approximately \$49 million, primarily related to Title VI loan proceeds and health clinic construction and expansion. The following is a summary of long-term debt at September 30, 2009 (dollars in thousands):

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Notes payable	\$ 2,051	\$ 22,290	\$ 24,341
Bonds payable	23,565	-	23,565
Capital leases payable	1,295	-	1,295
Total long-term debt	<u>\$ 26,911</u>	<u>\$ 22,290</u>	<u>\$ 49,201</u>

The Nation, as a tribal government, has the ability to incur debt, similar to a state or local government. 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, 2009, borrowings under this credit facility totaled approximately \$20,539,000.

The bond issuance, which occurred in 2007, provided the funding necessary to construct new clinics in Muskogee and Nowata and expand the clinic in Sallisaw. The debt and interest associated with this bond issuance is serviced through health third party revenues.

Additional information on the Nation's long-term debt can be found in Note 9 on pages 66 - 71 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

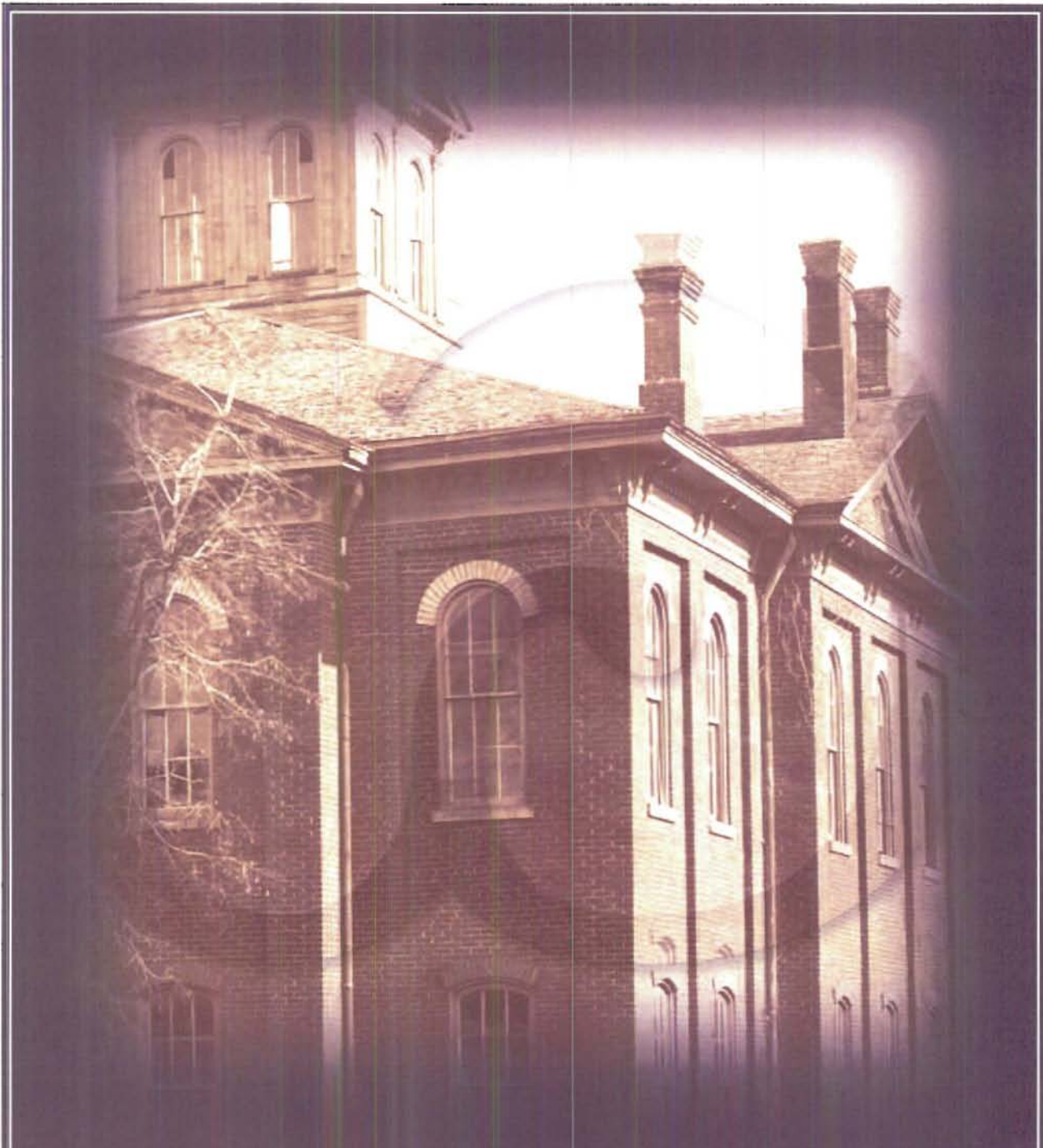
The Nation will continue to provide affordable housing for Tribal citizens through housing rehabilitation, mortgage assistance programs and rental subsidies. Budgeted expenditures and transfers for the Nation's General Fund for fiscal year 2010 total \$117 million, approximately \$22 million less than the final amounts budgeted for fiscal year 2009 due to a reduction of carryover funding available for fiscal year 2010. The American Recovery and Reinvestment Act ("ARRA") will provide additional funding to the Nation through a series of grants distributed by various federal agencies. This one-time funding is being utilized by the Nation to address the needs of the citizens, such as roads, water and sanitation and housing.

The softening of gaming markets is anticipated to continue into fiscal year 2010. The economic downturn 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 as well as development of proprietary games. CNE continues its initiatives to improve loyalty within its existing customer base including targeted marketing and rewards programs.

CONTACTING THE NATION'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Nation's finances to its citizens, customers, creditors, and other interested parties. Questions concerning any of the information contained in this report or requests for additional financial information should be directed to the Nation's Controller's Office, Post Office Box 809, Tahlequah, Oklahoma, 74465.

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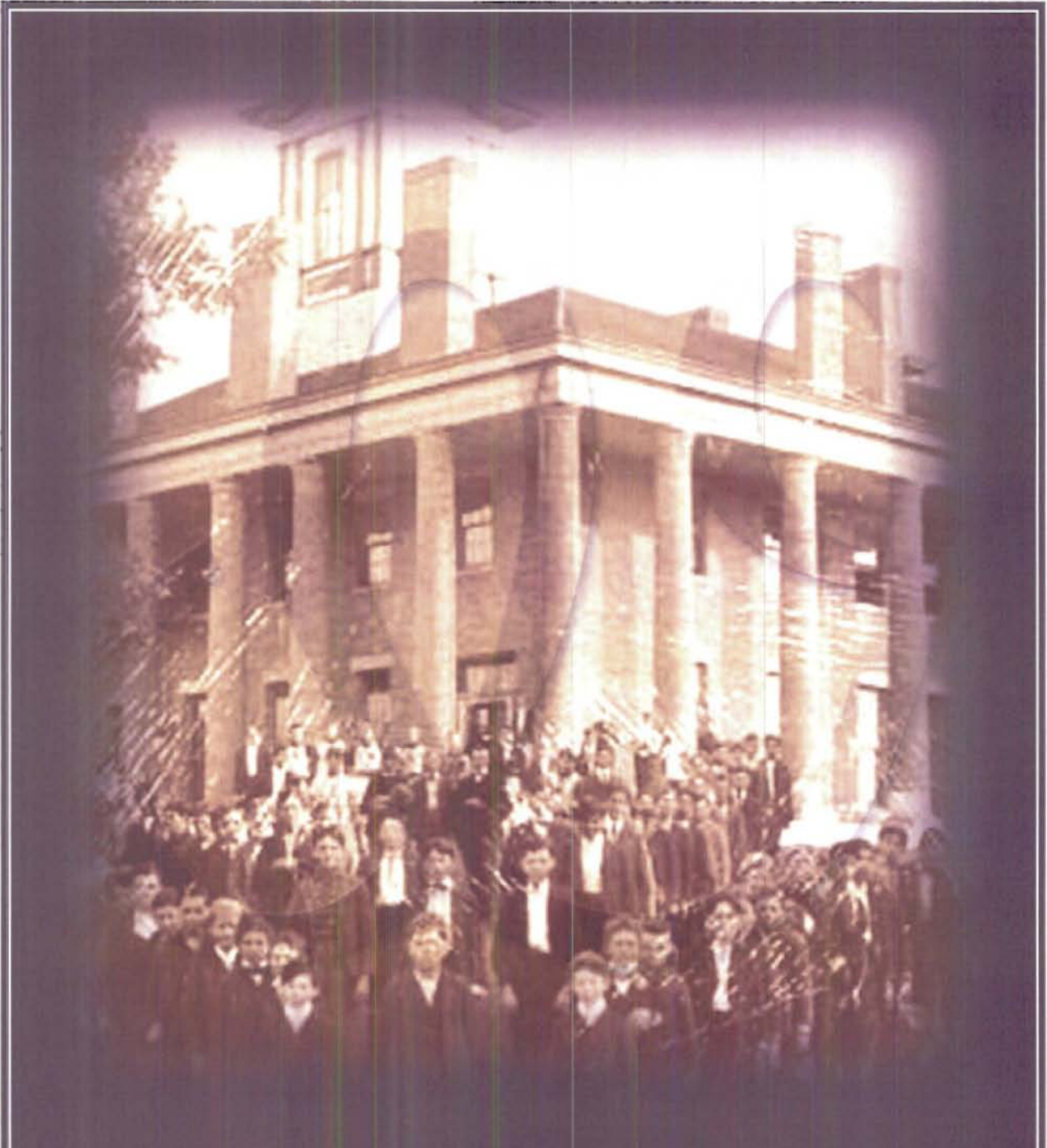


BASIC FINANCIAL STATEMENTS

NYSE: DNF

CHEROKEE NATION®

Comprehensive Annual Financial Report



GOVERNMENT-WIDE FINANCIAL STATEMENTS

GWS20 DRP

CHEROKEE NATION®

Comprehensive Annual Financial Report

CHEROKEE NATION

STATEMENT OF NET ASSETS
 SEPTEMBER 30, 2009
 (Dollars in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 210,711	\$ 2,092	\$ 212,803	\$ 47,061
Investments	19,603	-	19,603	28,845
Accounts receivable, net	17,623	1	17,624	22,104
Mortgages receivable, Title VI and partnerships, current	-	-	-	547
Due from other funds - Internal Balances	(74)	74	-	-
Due from component units	2,908	284	3,192	-
Inventories	3,478	-	3,478	14,097
Notes receivable	96	2,059	2,155	17
Other current assets	6,458	10	6,468	3,514
Restricted cash, cash equivalents and investments	28,282	2,718	31,000	23,044
Long-term notes receivable	-	20,118	20,118	1,569
Long-term mortgages receivable, Title VI and partnerships	-	-	-	23,357
Other assets	1,356	-	1,356	5,301
Investment in joint ventures/partnerships	-	-	-	5,362
Capital assets, non depreciable	15,653	81	15,734	63,002
Capital assets, depreciable, net	84,116	467	84,583	443,844
Total assets	390,210	27,904	418,114	681,664
Liabilities				
Accounts payable and accrued liabilities	30,570	83	30,653	78,778
Due to primary government	-	-	-	3,192
Compensated absences	5,696	-	5,696	-
Other current liabilities	6,962	19	6,981	-
Unearned revenue	988	-	988	328
Deferred grant revenue	115,505	-	115,505	-
Notes payable and long-term debt				
Due within one year	2,127	1,985	4,112	2,123
Due in more than one year	23,489	20,305	43,794	61,197
Capital leases				
Due within one year	518	-	518	-
Due in more than one year	777	-	777	-
Trust liabilities	-	-	-	8,457
Other noncurrent liabilities	-	2,383	2,383	-
Total liabilities	186,632	24,775	211,407	154,075
Net Assets				
Invested in capital assets, net of related debt	74,152	253	74,405	457,356
Restricted for				
Motor vehicle tax	6,208	-	6,208	-
Tobacco surtax	228	-	228	-
Permanent Funds - expendable	146	-	146	-
Permanent Funds - nonexpendable	425	-	425	-
Judgment funds - nonexpendable	3,119	-	3,119	-
Construction	-	-	-	14,945
TERO Job Training Programs	998	-	998	-
Arkansas River Drybed Lands Settlement	2,269	-	2,269	-
Debt service	1,655	-	1,655	2,561
Program services	45,967	-	45,967	29,621
Tsa-La-Gi repair and replacements	-	398	398	-
Unrestricted net assets	68,411	2,478	70,889	23,106
Total net assets	\$ 203,578	\$ 3,129	\$ 206,707	\$ 527,589

See notes to basic financial statements

CHEROKEE NATION

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2009

(Dollars in Thousands)

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	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	\$ 29,323	\$ 640	\$ 399	\$ 569	\$ (27,715)	\$ -	\$ (27,715)	\$ -
Health services	179,806	52,274	153,540	1,425	27,433	-	27,433	-
Education services	46,200	-	28,394	-	(17,806)	-	(17,806)	-
Human services	36,231	-	28,667	-	(7,564)	-	(7,564)	-
Community services	72,334	4,054	47,558	-	(20,722)	-	(20,722)	-
Interest on long-term debt	1,525	-	-	-	(1,525)	-	(1,525)	-
Total governmental activities	365,419	56,968	258,558	1,994	(47,899)	-	(47,899)	-
Business-type activities:								
Title VI Loan Fund	826	816	-	-	-	(10)	(10)	-
Tsa-La-Gi Apartments	393	519	-	-	-	126	126	-
EDTA	73	168	-	-	-	95	95	-
Total business-type activities	1,292	1,503	-	-	-	211	211	-
Total primary government	\$ 366,711	\$ 58,471	\$ 258,558	\$ 1,994	(47,899)	211	(47,688)	-
Component Units	\$ 494,624	\$ 541,025	\$ -	\$ 1,999				48,400
General Revenues:								
Motor fuel tax					7,514	-	7,514	-
Motor vehicle tax					7,400	-	7,400	-
Tobacco tax					5,312	-	5,312	-
Sales tax					1,610	-	1,610	-
Grants and contributions not restricted to specific programs					10,398	-	10,398	-
Unrestricted investment earnings					2,293	18	2,311	2,522
Dividends from component units					26,444	-	26,444	-
Miscellaneous revenue					4,848	-	4,848	(3,040)
Gain/(loss) on investments in joint venture					-	-	-	603
Gain/(loss) on disposals					-	-	-	574
Transfers					(357)	357	-	-
Total general revenues and transfers					65,462	375	65,837	659
Change in net assets					17,563	586	18,149	49,059
Net assets, beginning					186,015	2,543	188,558	478,530
Net assets, ending					\$ 203,578	\$ 3,129	\$ 206,707	\$ 527,589

See notes to basic financial statements



FUND FINANCIAL STATEMENTS

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CHEROKEE NATION®

Comprehensive Annual Financial Report

CHEROKEE NATION

BALANCE SHEET - GOVERNMENTAL FUNDS

SEPTEMBER 30, 2009

(Dollars in Thousands)

	General	Self Governance DOI Roads	Self Governance DHHS	Housing & Urban Development	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 49,631	\$ 42,550	\$ 48,339	\$ 38,663	\$ 31,483	\$ 210,666
Investments	-	-	-	10,000	9,603	19,603
Receivables, net	2,617	-	8,694	400	5,574	17,285
Due from other funds	27,987	-	-	-	1,045	29,032
Due from other funds - Interest bearing	3,365	-	-	-	-	3,365
Due from component units	2,816	-	-	9	-	2,825
Inventories	-	-	1,724	677	943	3,344
Notes receivable	-	-	-	-	96	96
Other current assets	149	-	5,654	-	428	6,231
Restricted cash, cash equivalents and investments	23,753	-	-	-	4,529	28,282
Total assets	\$ 110,318	\$ 42,550	\$ 64,411	\$ 49,749	\$ 53,701	\$ 320,729
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Accounts payable and accrued liabilities	\$ 17,300	\$ -	\$ 4,305	\$ 219	\$ 137	\$ 21,961
Due to other funds	24,433	1,346	13,830	3,268	6,917	49,794
Due to other funds - Interest bearing	-	-	3,365	-	-	3,365
Other current liabilities	5	-	1	6	893	905
Deferred grant revenue	-	41,204	3,338	45,972	24,991	115,505
Unearned revenue	11	-	-	-	977	988
Total liabilities	41,749	42,550	24,839	49,465	33,915	192,518
FUND BALANCES:						
Fund balance:						
Reserved by Legislative Act (Note 12):						
Motor fuel tax	30,914	-	-	-	-	30,914
Cash reserve	1,256	-	-	-	-	1,256
Arkansas Riverbed settlement	7,291	-	-	-	-	7,291
TERO job training programs	998	-	-	-	-	998
Tribal judgements and trusts	-	-	-	-	5,016	5,016
Reserved by external sources and enabling legislation:						
Grant programs	-	-	39,572	284	6,111	45,967
Motor vehicle tax	6,208	-	-	-	-	6,208
Tobacco surtax	228	-	-	-	-	228
Permanent funds	-	-	-	-	571	571
Judgment funds	-	-	-	-	5,388	5,388
Capital Projects Fund	-	-	-	-	1,045	1,045
Reserved for debt service	-	-	-	-	1,655	1,655
Unreserved, undesignated reported in (Note 12):						
General Fund	21,674	-	-	-	-	21,674
Total fund balances	68,569	-	39,572	284	19,786	128,211
Total liabilities and fund balances	\$ 110,318	\$ 42,550	\$ 64,411	\$ 49,749	\$ 53,701	

Amounts reported for governmental activities in the statement of net assets 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. 86,774

Assets recorded in government-wide financial statements that are not available to pay for current period expenditures, therefore, are not recorded in the funds. 1,294

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 Assets. 12,225

Liabilities that are not due and payable in the current period and therefore not reported in the funds. (24,926)

Net assets of governmental activities **\$ 203,578**

See notes to basic financial statements

CHEROKEE NATION

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009
(Dollars in Thousands)**

	General	Self Governance DOI Roads	Self Governance DHHS	Housing & Urban Development	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
Intergovernmental	\$ -	\$ 5,349	\$ 130,814	\$ 29,626	\$ 89,612	\$ 255,401
Property rentals	1,634	-	-	2,591	-	4,225
Motor fuel tax revenues	7,514	-	-	-	-	7,514
Tax and license revenues	17,382	-	-	-	-	17,382
Interest	1,150	364	489	417	593	3,013
Trust fund income	100	-	-	-	-	100
Dividends from component units	26,444	-	-	-	-	26,444
3rd party revenues	941	-	52,274	-	653	53,868
Income from HACN	2,364	-	-	3,487	-	5,851
Other	2,504	1	157	126	4,758	7,546
Total revenues	<u>60,033</u>	<u>5,714</u>	<u>183,734</u>	<u>36,247</u>	<u>95,616</u>	<u>381,344</u>
Expenditures:						
Current operating:						
Tribal Government	23,804	-	355	21	4,090	28,270
Health Services	8,729	-	144,338	-	24,630	177,697
Education Services	14,967	-	-	90	30,915	45,972
Human Services	4,212	-	-	1,142	30,860	36,214
Community Services	19,147	5,320	3,118	34,830	3,723	66,138
Debt services:						
Principal	-	-	297	-	4,706	5,003
Interest	-	-	365	-	1,133	1,498
Capital outlay	4,825	30	3,425	540	1,138	9,958
Total expenditures	<u>75,684</u>	<u>5,350</u>	<u>151,898</u>	<u>36,623</u>	<u>101,195</u>	<u>370,750</u>
Excess (deficiency) of revenues over expenditures	<u>(15,651)</u>	<u>364</u>	<u>31,836</u>	<u>(376)</u>	<u>(5,579)</u>	<u>10,594</u>
Other financing sources (uses):						
Insurance recoveries	95	-	-	171	7	273
Transfers in	1,738	-	-	359	7,860	9,957
Transfers out	(2,506)	(364)	(6,278)	(232)	(1,022)	(10,402)
Total other financing sources (uses)	<u>(673)</u>	<u>(364)</u>	<u>(6,278)</u>	<u>298</u>	<u>6,845</u>	<u>(172)</u>
Net change in fund balances	(16,324)	-	25,558	(78)	1,266	10,422
Fund balance, October 1, 2008	84,893	-	14,014	362	18,520	117,789
Fund balance, September 30, 2009	<u>\$ 68,569</u>	<u>\$ -</u>	<u>\$ 39,572</u>	<u>\$ 284</u>	<u>\$ 19,786</u>	<u>\$ 128,211</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, 2009 (Dollars in Thousands)

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

Net change in fund balances - total governmental funds	\$ 10,422
<p>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.</p>	5,974
<p>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 assets. Also, governmental funds report the effect of issuance costs, 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.</p>	4,931
<p>Some expenses are reported in the Statement of Activities when incurred and presented in the governmental funds when paid.</p>	(4,876)
<p>The internal service funds are used to account for those activities which provide services to other functions within the government. These costs are allocated to the governmental funds in the government- wide financial statements. This amount is the net effect of the allocations.</p>	<u>1,112</u>
 Change in net assets of governmental activities	 <u><u>\$ 17,563</u></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, 2009
 (Dollars in Thousands)

	Budgeted Amounts			Variance with Final Budget over/(under)
	Original	Final	Actual	
Revenues:				
Property rentals	\$ 639	\$ 639	\$ 1,634	\$ 995
Motor fuel tax	7,472	7,472	7,514	42
Taxes, licenses, and fees	15,351	20,366	17,382	(2,984)
Interest	1,627	1,777	1,150	(627)
Trust fund income	69	69	100	31
Dividends from component units	39,000	30,000	26,444	(3,556)
3rd party revenues	279	279	941	662
Income from HACN	-	-	2,364	2,364
Other	7,710	6,494	2,504	(3,990)
Total revenues	<u>72,147</u>	<u>67,096</u>	<u>60,033</u>	<u>(7,063)</u>
Expenditures:				
Tribal government	35,385	34,749	23,804	(10,945)
Health services	6,013	9,216	8,729	(487)
Education services	18,167	19,284	14,967	(4,317)
Human services	4,400	4,709	4,212	(497)
Community services	31,829	33,867	19,147	(14,720)
Debt service	39	39	-	(39)
Capital outlay	9,061	16,986	4,825	(12,161)
Total expenditures	<u>104,894</u>	<u>118,850</u>	<u>75,684</u>	<u>(43,166)</u>
Excess (deficiency) of revenues over expenditures	<u>(32,747)</u>	<u>(51,754)</u>	<u>(15,651)</u>	<u>36,103</u>
Other financing sources (uses):				
Insurance recoveries	-	-	95	95
Transfers in	12,831	16,544	1,738	(14,806)
Transfers out	(12,204)	(19,270)	(2,506)	16,764
Total other financing sources (uses)	<u>627</u>	<u>(2,726)</u>	<u>(673)</u>	<u>2,053</u>
Excess (deficiency) of revenues and other financing sources over expenditures	<u>(32,120)</u>	<u>(54,480)</u>	<u>(16,324)</u>	<u>38,156</u>
Fund balance, October 1, 2008	84,893	84,893	84,893	-
Fund balance, September 30, 2009	<u>\$ 52,773</u>	<u>\$ 30,413</u>	<u>\$ 68,569</u>	<u>\$ 38,156</u>

See notes to basic financial statements

CHEROKEE NATION

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

SEPTEMBER 30, 2009

(Dollars in Thousands)

	Business-type Activities- Enterprise Funds			Governmental Activities- Internal Service Funds
	Title VI Loan Fund	Nonmajor Enterprise Funds	Totals	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 969	\$ 1,123	\$ 2,092	\$ 45
Accounts receivable, net	-	1	1	338
Due from other funds	244	-	244	23,144
Due from component units	87	197	284	83
Inventories	-	-	-	134
Notes receivable, current	1,854	205	2,059	-
Other current assets	-	10	10	227
Total current assets	3,154	1,536	4,690	23,971
Noncurrent assets:				
Restricted cash, cash equivalents and investments	-	2,718	2,718	-
Long-term notes receivable	17,437	2,681	20,118	-
Capital assets, net	-	548	548	12,995
Total noncurrent assets	17,437	5,947	23,384	12,995
Total assets	20,591	7,483	28,074	36,966
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	55	28	83	8,262
Current portion of long-term debt	1,854	131	1,985	532
Current portion of capital leases	-	-	-	258
Due to other funds	-	170	170	2,456
Compensated absences	-	-	-	5,696
Other current liabilities	-	19	19	6,057
Total current liabilities	1,909	348	2,257	23,261
Noncurrent liabilities:				
Long-term debt	18,686	1,619	20,305	1,519
Capital leases payable	-	-	-	23
Other liabilities	-	2,321	2,321	-
Total noncurrent liabilities	18,686	3,940	22,626	1,542
Total liabilities	20,595	4,288	24,883	24,803
NET ASSETS				
Invested in capital assets, net of related debt	-	253	253	10,663
Restricted for capital replacements	-	398	398	-
Unrestricted net assets/(deficit)	(4)	2,544	2,540	1,500
Total net assets/(deficit)	\$ (4)	\$ 3,195	3,191	\$ 12,163
Adjustment to reflect the consolidation of Internal Service Funds activities related to Enterprise Funds			(62)	
Net assets of business-type activities			\$ 3,129	

See notes to basic financial statements

CHEROKEE NATION

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009
(Dollars in Thousands)**

	Business-type Activities- Enterprise Funds			Governmental Activities- Internal Service Funds
	Title VI Loan Fund	Nonmajor Enterprise Funds	Totals	
Operating revenues:				
Property rentals	\$ -	\$ 510	\$ 510	\$ 4
Charges for services and goods	-	-	-	86,083
Other	-	41	41	241
Total operating revenues	<u>-</u>	<u>551</u>	<u>551</u>	<u>86,328</u>
Operating expenses:				
Cost of sales	-	-	-	338
Salaries and wages	-	37	37	68,104
Other services and charges	12	333	345	14,341
Materials and supplies	-	16	16	1,219
Depreciation and amortization	-	51	51	1,185
Total operating expenses	<u>12</u>	<u>437</u>	<u>449</u>	<u>85,187</u>
Operating income (loss)	<u>(12)</u>	<u>114</u>	<u>102</u>	<u>1,141</u>
Nonoperating revenues (expenses):				
Interest income	816	154	970	1
Interest expense	(814)	(30)	(844)	(117)
Net nonoperating revenues (expenses)	<u>2</u>	<u>124</u>	<u>126</u>	<u>(116)</u>
Income (loss) before transfers	(10)	238	228	1,025
Transfers in	-	947	947	88
Transfers out	-	(590)	(590)	-
Change in net assets	<u>(10)</u>	<u>595</u>	<u>585</u>	<u>1,113</u>
Total net assets - beginning	<u>6</u>	<u>2,600</u>		<u>11,050</u>
Total net assets/(deficit) - ending	<u>\$ (4)</u>	<u>\$ 3,195</u>		<u>\$ 12,163</u>
Adjustment to reflect the consolidation of Internal Service Funds activities related to Enterprise Funds			<u>1</u>	
Change in net assets of business-type activities			<u>\$ 586</u>	

See notes to basic financial statements

CHEROKEE NATION

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009
(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	\$ -	\$ 510	\$ 510	\$ 86,033
Internal activity - payments from other funds	-	544	544	-
Payments to suppliers	(44)	(416)	(460)	(14,993)
Payments to employees	-	(37)	(37)	(67,081)
Internal activity - payments to other funds	(294)	(597)	(891)	(6,314)
Internal activity - payments to other Component Units	(66)	(22)	(88)	(83)
Other receipts	-	41	41	2,792
Net cash provided by (used for) operating activities	<u>(404)</u>	<u>23</u>	<u>(381)</u>	<u>354</u>
Cash flows from noncapital financing activities				
Transfer from other funds	-	947	947	88
Transfer to other funds	-	(590)	(590)	-
Principal payment on notes payable	(3,954)	(59)	(4,013)	-
Interest payment on notes payable	(814)	(7)	(821)	-
Net cash provided by (used for) noncapital financing activities	<u>(4,768)</u>	<u>291</u>	<u>(4,477)</u>	<u>88</u>
Cash flows from capital and related financing activities				
Purchases of capital assets	-	-	-	(634)
Principal paid on capital debt	-	(100)	(100)	(743)
Interest paid on capital debt	-	(23)	(23)	(117)
Net cash used for capital and related financing activities	<u>-</u>	<u>(123)</u>	<u>(123)</u>	<u>(1,494)</u>
Cash flows from investing activities				
Interest and dividends	816	154	970	1
Payment received on notes receivable	5,203	-	5,203	-
Decrease(increase) in notes receivable, net	-	(1,004)	(1,004)	-
Net cash provided by (used for) investing activities	<u>6,019</u>	<u>(850)</u>	<u>5,169</u>	<u>1</u>
Net increase (decrease) in cash and cash equivalents	847	(659)	188	(1,051)
Cash and cash equivalents, October 1, 2008	122	4,500	4,622	1,096
Cash and cash equivalents, September 30, 2009	<u>\$ 969</u>	<u>\$ 3,841</u>	<u>\$ 4,810</u>	<u>\$ 45</u>
Cash and Cash Equivalents consist of:				
Unrestricted cash and cash equivalents	\$ 969	\$ 1,123	\$ 2,092	\$ 45
Restricted cash and cash equivalents	-	2,718	2,718	-
Total Cash and Cash Equivalents, September 30, 2009	<u>\$ 969</u>	<u>\$ 3,841</u>	<u>\$ 4,810</u>	<u>\$ 45</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (12)	\$ 114	\$ 102	\$ 1,141
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	-	51	51	1,185
Change in assets and liabilities:				
Receivables, net	(310)	347	37	(5,878)
Inventories	-	-	-	23
Other current assets	-	(8)	(8)	(14)
Accounts and other payables	(82)	(481)	(563)	3,897
Net cash provided by (used for) operating activities	<u>\$ (404)</u>	<u>\$ 23</u>	<u>\$ (381)</u>	<u>\$ 354</u>

See notes to basic financial statements

CHEROKEE NATION

COMBINING STATEMENT OF NET ASSETS - COMPONENT UNITS
 SEPTEMBER 30, 2009
 (Dollars in Thousands)

	Cherokee Nation Businesses, LLC (CNB)	Housing Authority of the Cherokee Nation (HACN)	Cherokee Nation Comprehensive Care Agency (CNCCA)	Cherokee Nation HomeHealth Services, Inc. (CNHHS)	Cherokee Nation Waste Management, LLC (CNWM)	Total
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 43,879	\$ 1,011	\$ 510	\$ 183	\$ 1,478	\$ 47,061
Restricted cash	11,062	-	-	-	2,126	13,188
Investments	3,736	25,109	-	-	-	28,845
Receivables, net	21,089	553	-	336	126	22,104
Mortgages receivable-Title VI	-	547	-	-	-	547
Inventories	14,097	-	-	-	-	14,097
Notes receivable	17	-	-	-	-	17
Other current assets	3,285	134	11	34	50	3,514
Total current assets	97,165	27,354	521	553	3,780	129,373
Restricted investments	-	9,856	-	-	-	9,856
Notes receivable	1,360	209	-	-	-	1,569
Mortgages receivable-Title VI and partnerships	-	23,357	-	-	-	23,357
Other assets	3,886	1,415	-	-	-	5,301
Investment in partnerships/joint ventures	3,309	1,380	673	-	-	5,362
Capital assets, net	423,502	70,281	1,757	666	10,640	506,846
Total noncurrent assets	432,057	106,498	2,430	666	10,640	552,291
Total assets	529,222	133,852	2,951	1,219	14,420	681,664
LIABILITIES						
Current liabilities:						
Accounts payable and accrued liabilities	75,638	343	203	473	2,121	78,778
Due to primary government	2,852	96	46	-	198	3,192
Deferred revenue	133	92	103	-	-	328
Current portion of notes payable	-	1,884	-	-	-	1,884
Current portion of long-term debt	125	-	42	48	24	239
Total current liabilities	78,748	2,415	394	521	2,343	84,421
Trust Liabilities	-	8,457	-	-	-	8,457
Notes Payable	-	19,264	-	-	-	19,264
Long-term debt	40,070	-	1,427	436	-	41,933
Total liabilities	118,818	30,136	1,821	957	2,343	154,075
NET ASSETS						
Invested in capital assets, net of related debt	377,799	70,154	288	183	8,932	457,356
Restricted for:						
Debt service	-	2,561	-	-	-	2,561
Construction	12,819	-	-	-	2,126	14,945
Program services	-	29,621	-	-	-	29,621
Unrestricted net assets	19,786	1,380	842	79	1,019	23,106
Total net assets	\$ 410,404	\$ 103,716	\$ 1,130	\$ 262	\$ 12,077	\$ 527,589

See notes to basic financial statements

CHEROKEE NATION

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS -
COMPONENT UNITS
FOR THE YEAR ENDED SEPTEMBER 30, 2009
(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 Nation Waste Management, LLC (CNWM)	Total
Operating revenues:						
Charges for services and goods	\$ 533,719	\$ 344	\$ 1,291	\$ 4,375	\$ 1,008	\$ 540,737
Gain on investments in joint ventures	423	-	180	-	-	603
Other	-	221	8	59	-	288
Total operating revenues	534,142	565	1,479	4,434	1,008	541,628
Operating expenses:						
Cost of sales/operations	134,764	3,133	-	-	-	137,897
Salaries and wages	181,374	-	1,211	3,049	807	186,441
Other services and charges	102,613	88	735	1,239	2,460	107,135
Depreciation and amortization	29,288	4,248	89	78	462	34,165
Total operating expenses	448,039	7,469	2,035	4,366	3,729	465,638
Operating income (loss)	86,103	(6,904)	(556)	68	(2,721)	75,990
Nonoperating revenues (expenses)						
Interest/investment income	438	2,073	1	1	9	2,522
Interest expense	(904)	(930)	(93)	(42)	(4)	(1,973)
Contribution from primary government	-	1,249	750	-	-	1,999
Gain (loss) on disposal of assets	-	581	-	-	(7)	574
Other, net	(3,044)	-	-	4	-	(3,040)
Net nonoperating revenues (expenses)	(3,510)	2,973	658	(37)	(2)	82
Net Income (loss)	82,593	(3,931)	102	31	(2,723)	76,072
Dividends to primary government	(26,444)	-	-	-	-	(26,444)
Capital grants	(5,393)	-	-	-	4,824	(569)
Change in net assets	50,756	(3,931)	102	31	2,101	49,059
Net assets, beginning of year	359,648	107,647	1,028	231	9,976	478,530
Net assets, end of year	\$ 410,404	\$ 103,716	\$ 1,130	\$ 262	\$ 12,077	\$ 527,589

See notes to basic financial statements

CHEROKEE NATION

RECAST OF THE COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS -
 COMPONENT UNITS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2009
 (Dollars in Thousands)

	Discretely Presented Component Units	Government-wide - Statement of Activities				
		Program Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Revenues
Operating revenues:						
Charges for services and goods	\$ 540,737	\$ -	\$ 540,737	\$ -	\$ -	\$ -
Gain on investments in joint ventures	603	-	-	-	-	603
Other	288	-	288	-	-	-
Total operating revenues	541,628	-	541,025	-	-	603
Operating expenses:						
Cost of sales/operations	137,897	137,897	-	-	-	-
Salaries and wages	186,441	186,441	-	-	-	-
Other services and charges	107,135	107,135	-	-	-	-
Depreciation and amortization	34,165	34,165	-	-	-	-
Total operating expenses	465,638	465,638	-	-	-	-
Operating income (loss)	75,990	(465,638)	541,025	-	-	603
Nonoperating revenues (expenses)						
Interest/investment income	2,522	-	-	-	-	2,522
Interest expense	(1,973)	(1,973)	-	-	-	-
Contribution from primary government	1,999	-	-	-	1,999	-
Gain on disposal of assets	574	-	-	-	-	574
Other, net	(3,040)	-	-	-	-	(3,040)
Net nonoperating revenues (expenses)	82	(1,973)	-	-	1,999	56
Net Income (loss)	76,072	(467,611)	541,025	-	1,999	659
Dividends to primary government	(26,444)	(26,444)	-	-	-	-
Capital grants	(569)	(569)	-	-	-	-
Change in net assets	49,059	(494,624)	541,025	-	1,999	659
Net assets, beginning of year	478,530	-	-	-	-	478,530
Net assets, end of year	\$ 527,589	\$ (494,624)	\$ 541,025	\$ -	\$ 1,999	\$ 479,189

See notes to basic financial statements



NOTES TO BASIC FINANCIAL STATEMENTS

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CHEROKEE NATION®

Comprehensive Annual Financial Report

**CHEROKEE NATION
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Cherokee Nation (the "Nation") have been prepared in conformity with accounting principles generally accepted ("GAAP") 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. With respect to proprietary activities, including component units, the Nation has adopted GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Government Entities That Use Proprietary Fund Accounting*. The Nation has elected to apply all applicable GASB pronouncements, as well as Financial Accounting Standards Board ("FASB") pronouncements and Accounting Principles Board ("APB") Opinions issued on or before November 30, 1989, unless those pronouncements conflict with, or contradict, GASB pronouncements.

Reporting Entity — The Nation is a tribal organization 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 Cherokee Nation received, disbursed, or in the custody of the Nation or the Bureau of Indian Affairs ("BIA") 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. 39, and based on that criterion, has included the following entities as component units within the Nation's basic financial statements:

Discretely Presented Component Units — The component units' column in the government-wide financial statements includes the financial data of the Nation's discretely presented component units. These discretely presented component units are reported in a separate column to emphasize that they are legally separate from the primary government. Part of the determination for presenting them as discretely presented component units is that they do not have substantially the same governing body as the primary government nor do they 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 Business, LLC ("CNB") — CNB, a tribal limited liability company, was created June 16, 2004, to provide shared services and strategic coordination to the Nation's business entities, to diversify the Nation's business holdings and act as a holding corporation for certain Nation investments in business enterprises. The Nation created CNB and is able to exert significant influence over CNB's activities as a result of its

relationship to CNB and board member appointments. As of September 30, 2009, CNB held an interest in the following entities:

Cherokee Nation Entertainment, LLC (“CNE”) — CNE is a tribal limited liability company organized under the laws of the Cherokee Nation (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. CNE operates six 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, convenience stores and gift shops. CNE’s gaming and entertainment operations include food and beverage venues, hotels and motels, live entertainment venues and an 18-hole and a 9-hole golf course. CNE is managed through a board of directors appointed by the Principal Chief of the Nation and approved by the Cherokee Nation Tribal Council. Effective May 15, 2009, CNE changed its name from Cherokee Nation Enterprises, LLC to Cherokee Nation Entertainment, LLC. Separately issued financial statements for CNE may be obtained from CNB’s corporate office. CNE has two of its own blended component units as follows:

Will Rogers Downs, LLC (“WRD”) — WRD is a tribal limited liability company organized under the laws of the Cherokee Nation created to own and operate a horse racing and gaming facility and ancillary activities on nontribal lands in Claremore, Oklahoma. CNE is the sole member owning 100% of the units of WRD. The CEO of CNE is the designated manager of WRD. Based on the foregoing criteria and in compliance with the provisions of Governmental Accounting Standards Board (“GASB”) No. 14, *The Financial Reporting Entity*, as amended by GASB 39, WRD is included as a blended component unit in CNE’s financial statements. Separately issued financial statements with additional disclosures may be obtained from CNB’s corporate office.

Cherokee Hotels, LLC (“CHL”) — CHL is a tribal limited liability company, created on May 23, 2006, under the laws of the Cherokee Nation to own and operate motels currently located in Catoosa and Roland, Oklahoma. CNE is the sole member owning 100% of the units of CHL. The CEO of CNE is the designated manager of CHL. Based on the foregoing criteria and in compliance with the provisions of Governmental Accounting Standards Board (“GASB”) No. 14, *The Financial Reporting Entity*, as amended by GASB 39, CHL is included as a blended component unit in CNE’s financial statements.

Cherokee Nation Industries, LLC (“CNI”) — CNI is a tribal limited liability company 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. Prior to 2008, CNI was owned directly by the Nation. In 2008, ownership of CNI was transferred to CNB and is now presented as a blended component unit of CNB. CNI engages primarily in the production, assembly, and repair of electronic component parts and wiring systems, construction, and the provisions of certain contract medical services and janitorial services for the U.S. Government.

CNI has five of its own blended component units. These include:

Cherokee Nation Distribution, LLC (“CND”) – CND was organized to earn revenue predominately from production, distribution, assembly and repair of electronic component parts and wiring systems.

Cherokee Nation Medical Services, LLC (“CMS”) – CMS was organized to earn revenue predominately from medical employee leasing contracts. Services include recruiting, credentialing and placement of clinical, administrative, technical and engineering personnel.

Cherokee Nation Technology Solutions, LLC (“CNTS”) – CNTS was organized to earn revenue from electronic component installation and sales.

Cherokee Nation Construction Services, LLC (“CNCS”) – CNCS was organized to earn revenue from construction related services, including general contracting, oversight of construction projects and safety training.

Cherokee Nation Red Wing, LLC (“CNRW”) – CNRW was acquired in February 2009 and reorganized as a limited liability company. CNRW is a contract manufacturer of integrated electromechanical assemblies.

CND, CMS, CNTS, CNCS and CNRW are for-profit limited liability companies owned by CNB and created under the laws of the state of Oklahoma. CND, CMS, CNTS, CNCS and CNRW are blended with CNI because they are under common management and under direction of the CNI board of directors.

Cherokee Services Group, LLC (“CSG”) — CSG is a tribal limited liability company organized under the laws of the Nation in 2006 for the purpose of marketing certain professional services to commercial enterprises, other tribes and state and federal governments. CSG has received 8(a) certification from the US Small Business Administration. CNB is the sole member of CSG which is included as a blended component unit of CNB. On September 11, 2009, CSG finalized the asset purchase transaction of Information Technology Experts, Inc. (“ITX”), a Colorado-based corporation headquartered in Fort Collins.

Cherokee Nation Technologies, LLC (“CNT”) – CNT is a tribal limited liability company created in 2009 for the purpose of marketing certain professional services to commercial enterprises. CNB was the sole member of CNT, which is included as a blended component unit of CNB. CNT, along with CSG, purchased ITX. ITX was a full-service information technology services provider of products, solutions and services to both government and commercial clients.

CNB directly holds joint venture interests in Cherokee CRC, LLC and Aerospace S.E., Inc. as described below:

Cherokee CRC, LLC (“CCRC”) — CCRC was formed in March 2005 in Tulsa, Oklahoma, by CNB (51% ownership) and an individual (49% ownership). CNB accounts for the investment in CCRC using the equity method. The targeted business of CCRC, a Tribal-owned 8(a) firm is to engage in the business of providing services to customers in the business described in environmental consulting services, engineering services, remediation services, research and development in the physical, engineering and life sciences, testing laboratories, and for customers in homeland security under governmental contracts in which Section 8(a) status provides a competitive advantage.

Aerospace S.E., Inc. (“APSE”) — APSE was formed in 1987 in Huntsville, Alabama. On August 28, 2008, CNB acquired 75% of the stock of APSE, and APSE Holdings, LLC acquired 25%. APSE is a distributor of aerospace fasteners and a provider of supply chain services. APSE is headquartered in Huntsville and has offices in San Antonio and Wichita. CNB accounts for the investment in APSE using the equity method.

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. 14, *The Financial Reporting Entity*, as amended by GASB No. 39, HACN is included in the Nation's financial report as a discrete component unit.

Effective May 1, 2008, the Nation and HACN entered into a revised Memorandum of Understanding (“MOU”) whereby the Nation effectively assumed all housing operations formerly performed by the HACN. The HACN continues to exist as a separate entity and component of the Nation. The HACN continues to hold title to all real property, continues to maintain custody over cash and investments associated with proceeds of sale and Monthly Equity Payment Account (“MEPA”) trust liabilities, continues to maintain assets and related liabilities associated with the Title VI loan program and the Assumable Mortgage program, and continues to provide the necessary guarantees associated with the Low Income Tax Credit Projects. The Group Leader of the Housing Services Group of the Nation serves as the Executive Director of the HACN. Although HACN is effectively managed by the employees of the Nation, HACN is still a separate distinct legal entity under the direction of a separate Board of Commissioners and such Board of Commissioners still has considerable control over many of the financial activities of the Housing Authority.

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. 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. 14, *The Financial Reporting Entity*, as amended by GASB No. 39, 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 health care 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 of the Nation and approved by the Cherokee Nation Tribal Council. Based on the foregoing criteria and in compliance with the provisions of GASB No. 14, *The Financial Reporting Entity*, as amended by GASB No. 39, CNCCA is included in the Nation's financial report as a discrete component unit. CNCCA currently has two initiatives, which includes the Program of All-Inclusive Care for the Elderly (“PACE”) and a joint venture, Cherokee Health Partners, LLC (“CHP”).

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 PACE program is financed by Medicare, Medicaid, federal grants and through contributions of the Nation.

Cherokee Health Partners, LLC (“CHP”) — CNCCA and the Tahlequah City Hospital entered into a joint venture on September 28, 2004, to create CHP which is 51% owned by CNCCA. CHP operates an imaging center located in the Tahlequah City Hospital. The initial services to be provided are nuclear scans of the bones, heart, and lungs. CNCCA has recognized its proportionate share of CHP’s earnings and distributions resulting in a carrying value of approximately \$673,000 for the joint venture at September 30, 2009.

Cherokee Nation Home Health Services, Inc. (“CNHHS”) — CNHHS, a tribal corporation, was organized for the purpose of engaging in home healthcare services. The 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 Cherokee and Delaware counties, Oklahoma, and the surrounding area.

Cherokee Nation Waste Management, LLC (“CNWM”) — CNWM is a tribal limited liability company organized in 2008 for the purpose of operating the Cherokee Nation Sanitary Landfill in Stilwell, Oklahoma, through an operating agreement with the Cherokee Nation. CNWM is currently constructing a new waste cell and expects to open for operations in 2010. CNWM assumed many of the contractual obligations of the Nation relating to the landfill operations as of July 1, 2008, and is incurring various costs to meet those obligations. In fiscal year 2008, CNWM was owned by CNB and was presented as a component unit of CNB. In September 2009, ownership of CNWM was transferred from CNB to the Nation. The CNWM Board of Directors are appointed by the Chief and approved by Tribal Council; therefore, for reporting purposes, CNWM is included as a discretely presented component unit of the Nation.

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. Separately issued audited financial statements with additional disclosures may be obtained for CNB, HACN, CNCCA, CNHHS and CNWM from the Cherokee Nation Controller’s office.

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. EDTA is presented as a proprietary fund in the accompanying financial statements.

Excluded Organizations — During 2009, the following not for profit organizations did not meet the criteria for inclusion in the reporting entity as they are not individually material to the operations of the Nation, and accordingly their financial operations are excluded from this report.

Cherokee Nation Education Foundation

Cherokee National Historical Society

Beginning in fiscal year 2006, the Nation, CNE and the Cherokee National Historical Society ("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 16.

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 30% for FY2009. Dividends paid to the Nation and other related party transactions are discussed in Note 16.

BASIS OF PRESENTATION

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. 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 equity, revenues, expenditures/expenses, and transfers. The General Fund is always a major governmental fund. Other major funds are determined as funds whose revenues, expenditures/expenses, assets or liabilities are at least ten percent of the totals for all governmental or enterprise funds and at least five percent of the aggregate amount for all governmental and enterprise funds for the same item 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 unrestricted 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 by law or administrative action to finance particular functions or activities of the Nation. The following are the Nation's major special revenue funds:
 - **Self Governance-DOI-Roads** — Established to account for funds received from the Department of Interior ("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 service expenditures in the accompanying financial statements.
 - **Self Governance-DHHS** — 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. These expenditures are generally presented as health and community services expenditures in the accompanying financial statements.

- **Housing and Urban Development** — 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 2008, the majority of the services previously performed by the HACN, a discretely presented proprietary component unit of the Nation, were assumed by the Nation. These expenditures are generally presented as community service expenditures in the accompanying financial statements.
- **Capital Projects Funds** — Capital project funds are used to report resources that are used for major capital acquisition and construction separately from ongoing operational activities.
- **Debt Service Funds** — Debt service funds are used to report resources that are set aside to meet current and future debt service requirements on general long-term debt.
- **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. The Nation’s 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 reserved.
 - **Sequoyah Endowment** — 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 \$74,000 which is the available amount reflected in the fund balance.
 - **Gammon Education Trust** — 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 \$72,000 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 assets 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 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 proprietary funds maintained by the Nation are internal service funds, enterprise funds, and discretely presented component units, which represent the activities of the various entities established by the Nation for income and job producing purposes.

- **Enterprise 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, Landfill Operations, Economic Development Trust Authority (“EDTA”) and Other Enterprise activities in these funds. The Nation's only major enterprise fund is as follows:
 - **Title VI Loan Fund** — 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 Cherokee Nation Housing Authority, a component unit of the Nation.
- **Internal Service Funds** — Internal service funds are used to report activities which provide goods or services to other funds, departments, or agencies of the primary government and its component units, or to other governments, on a cost-reimbursement basis. The Nation includes services such as internal leases, force accounts, fringe pool, and indirect cost pool in these funds. Substantially all internal service funds' net assets and activities are combined with the governmental activities in the government-wide financial statements. Note disclosures for governmental activities also include related amounts for the internal service funds.
- **Component Units** — See pages 39 - 43 for descriptions of discretely presented component units.

Enterprise and internal service fund financial statements include a statement of net assets, a statement of revenues, expenses and changes in fund net assets, 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 internal service funds' net assets and activities combined with the governmental activities in the government-wide financial statements.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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 Assets 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, financial 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, financial 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 and Cash Equivalents — Amounts represent certain bank account balances restricted for specific purposes as described in Note 4.

Investments —The Nation reports investments at fair value. Fair value is determined using quoted market prices.

Accounts Receivable — Amounts represent revenue recognized but not yet received in the current period. Accounts receivable are presented in the balance sheet at net realizable value.

Inventories

- Except as noted below, inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.
- The Nation, through its participation in the Clinics Program, 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 received for disbursement from Cherokee Nation's Food Distribution program. Food acquisitions are initially recorded as inventory and as deferred 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.
- The Nation maintains an inventory of housing materials to be used in the construction of the Homeownership Build Packages. This is a self-help program where clients will provide a majority of the work and will reimburse the Nation for the cost of materials.
- 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 FIFO method. Cost of supplies is determined by the average cost method with retail inventories stated using FIFO.

Capital Assets — The Nation's accounting policies regarding capital assets such as land, 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 are recorded at fair value at the date of the donation. 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. Activities such as the Nation's gaming activities can only be conducted on land held in trust status. When land is placed into trust status, the title to the property is transferred to the Federal Government. Under generally accepted accounting principles, 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, 2009, 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.

In 2009, CNB elected to early adopt GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets". GASB Statement No. 51 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 in the accompanying financial statements. See Note 17 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.

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.

Deferred Grant Revenues — The Nation is the recipient of grants from several different federal and state agencies. In some instances, the grants are advance funded. The Nation records these grants as deferred 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 operation which is now operated by CNWM LLC, a discretely presented component unit of the Nation. 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, 2009 is based on the assumption that the Landfill will be operated by CNWM 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") and have been reflected within operating expenses in the Statement of Revenues, Expenses, and Changes in Net Assets. Total payments for fiscal year 2009 were approximately \$197,000.

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 full-time employees. Permanent part-time employees earn vacation leave according to the pro-rata full-time hours worked. 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 assets date plus an additional amount for compensation-related payments such as social security and medicare taxes compiled using rates in effect at that date.

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 2009, the Cherokee Nation bought back \$839,000 of accrued annual leave.

Net Assets Classifications

Government-Wide Statements — Equity is classified as net assets and displayed in three components:

1. *Invested in capital assets, net of related debt* — 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.
2. *Restricted net assets* — Consists of net assets with constraints placed on the use either by external groups, such as grantors or laws and regulations of other governments, or law through Tribal constitutional provisions or enabling legislation. It is the Nation's policy to use restricted net assets prior to the use of unrestricted net assets when both restricted and unrestricted net assets are available for an expense which has been incurred.
3. *Unrestricted net assets* — All other assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements — Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. Proprietary fund equity is classified the same as in the government-wide statements.

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 ninety (90) days. The Nation's major revenue sources that meet this availability criterion are tax revenues and dividends declared by component units.

Program Revenues — There are two classifications of programmatic revenues for the Nation, grant revenue and program revenue. 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 program revenue is earned income in connection with the operation of the Nation's WW 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 during the year ended September 30, 2009 was approximately \$52 million.

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 Non-Operating 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 transactions and other events. Non-operating revenues are funds primarily provided by investing activities, such as interest income. Operating expenses are those expenses related to the production of revenue. Non-operating 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 three large grants: (1) NAHASDA, funded by HUD, (2) the Sequoyah High School Grant, which is funded by the DOI, and (3) 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 deferred revenue (overrecovered) or a deferred charge (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 assets. 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 and liabilities 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

The governmental funds balance sheet includes a reconciliation of total fund balances of the governmental funds to the total net assets of the governmental activities in the statement of net assets. 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 \$86,774,000 capital assets used in governmental activities are as follows (dollars in thousands):

Capital assets, net	\$ 99,769
Less: Internal service fund capital assets	<u>(12,995)</u>
Capital assets used in governmental activities	<u>\$ 86,774</u>

The next element of the reconciliation is the debt issuance costs of \$1,294,000 which states “the assets recorded in government-wide financial statements that are not available to pay for current period expenditures, therefore, are not recorded in the funds.” (dollars in thousands)

Debt Issuance Costs - governmental funds	\$ 1,366
Amortization of debt issuance costs - governmental funds	<u>(72)</u>
Net Adjustment to increase fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ 1,294</u>

The final element of that reconciliation, excluding the net assets of the internal service funds of \$12,225,000, explains that "liabilities are not due and payable in the current period and, therefore, not reported in the funds." The details of this \$24,926,000 difference are as follows (dollars in thousands):

Long-term debt - governmental funds	\$ 24,579
Accrued bond interest - governmental funds	<u>347</u>
Net Adjustment to decrease fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ 24,926</u>

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 assets 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 \$5,974,000 difference are as follows (dollars in thousands):

Capital expenditures in governmental funds capitalized on government-wide financial statements	\$ 9,958
Contributed capital assets	\$ 1,994
Depreciation expense	<u>(5,978)</u>
Net Adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 5,974</u>

Another element of that reconciliation states that "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." The details of this \$4,931,000 difference are as follows (dollars in thousands):

Debt principal payments	\$ 5,003
Amortization of debt issuance costs	<u>(72)</u>
Net adjustment to increase changes in fund balances- total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 4,931</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 \$4,876,000 difference are as follows (dollars in thousands):

Additional capital outlay expense and loss on disposal	\$ (1,034)
Bond interest expense	(90)
MOA with State of Oklahoma for road improvements in Tulsa County	<u>6,000</u>
Net adjustment to increase changes in fund balance - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 4,876</u>

The final element of that reconciliation states that “the internal service funds are used to account for those activities which provide services to other functions within the government. These costs are allocated to the governmental activities in the government-wide financial statements. This amount, \$1,112,000 is the net effect of the allocations.”

3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The Enterprise Funds' Title VI Loan Fund had a net deficit of \$4,000 at September 30, 2009. If the above deficit cannot be recovered in future years through operating revenues and normal transfers, the General Fund may be required to cover the deficit.

4. DEPOSITS AND INVESTMENTS

Custodial credit risk is the risk that in the event of a bank failure, the Nation's deposits may not be returned. Cherokee Nation statute requires that funds be deposited in a financial institution insured either by the Federal Deposit Insurance Corporation or Federal Savings and Loan Insurance Corporation. All balances in excess of insurance limits require pledged collateral from the financial institution. All deposits of the primary government were either insured or covered by pledged collateral. At September 30, 2009, there were no primary government deposits uninsured and under collateralized. Component units' deposits of \$2,741,000 at September 30, 2009 were uninsured and uncollateralized.

Investments — The Nation's permissible investments include corporate obligations, United States Government obligations and Certificates of Deposit. For investments, custodial risk is the risk that in the event of the failure of the counterparty, the Nation will not be able to recover the value of its investments in the possession of an outside third party. The Nation's investment policy does not specifically address custodial credit risk; however, investments are held by third party custodians in the Nation's name.

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. 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 five years. Any investment with a maturity date of over five years requires Tribal Council approval.

CNB and its component units' interest rate risk was minimized by the highly liquid nature of its deposits and investments. At September 30, 2009 all deposits and investments were highly liquid and generally subject to re-pricing on a short-term basis.

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. It is the Nation's policy to limit its investments in corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations ("NRSRO's"). The Nation's investments in U.S. agencies and Commercial paper were rated AAA by Standard & Poor's and 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, \$5,961,000, or 64%, is invested in Fannie Mae securities, \$546,000, or 6%, is invested in Federal Farm Credit Bank securities, \$1,337,000, or 14%, is invested in Federal Home Loan Mortgage Corporation securities and \$1,466,000 or 16%, is invested in Federal Home Loan Bank securities.

CNB and its component units' follow the investment policy of the Nation in determining investment choices. Deposits in money market mutual funds, which totaled \$21,602,000 at September 30, 2009, were rated AAA by Standard and Poor's.

On December 10, 2007, CNE was notified by Bank of America that the Columbia Strategic Cash Portfolio ("Portfolio") managed by Columbia Management Group, LLC ("Columbia"), the investment management division of Bank of America, had been closed to new deposits and cash withdrawals. CNE's balance in the Portfolio on the date of the closing was approximately \$84.8 million (84.8 million units at \$1 net asset value per unit ("NAV")). CNE has the option of taking its proportionate share of the underlying investments as an in-kind distribution, but has elected to remain in the Portfolio. The Portfolio is being liquidated and distributed to investors at Columbia's discretion based on maturities and sales of underlying assets in the Portfolio.

During 2009, subsequent to the closing date, CNE received distributions totaling \$20.9 million representing 24.2 million units. At September 30, 2009, the remaining 4.2 million units had a NAV of \$0.8829 or \$3.7 million. The total decline in NAV of the Portfolio was \$2.5 million during 2009 and is included in other expenses in the component units' statement of revenues, expenses and changes in net assets. CNE recognized interest income of \$266 thousand associated with this investment in 2009. Subsequent to the closing, the Portfolio was no longer rated. While the majority of the underlying investments in the Portfolio are investment grade securities, the Portfolio is subject to risk that the underlying securities will not mature or be redeemable at the stated net asset values. The credit risk associated with the Portfolio is a component of the overall NAV.

At September 30, 2009, cash and cash equivalents include \$6,407,000 in a repurchase agreement at a bank under which CNI owned a government sponsored entity 15-year pass-through mortgage pool with an implicit rating of AAA by Standard and Poor's, which was held by a third-party custodian as an agent for CNI, which is fully guaranteed by the U.S. government or its agencies.

Investments, categorized as to interest and credit risk, at September 30, 2009 were as follows (dollars in thousands):

<u>Investment Type</u>	<u>Investment Maturities (in Years)</u>					<u>Credit Rating Moody's/S&P</u>
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More Than 10</u>	
Primary Government:						
Money market mutual funds	\$ 2,806	\$ 2,806	\$ -	\$ -	\$ -	(1)
Government sponsored entities	9,310	-	2,600	670	6,040	Aaa/AAA
Total Primary Government	<u>\$ 12,116</u>	<u>\$ 2,806</u>	<u>\$ 2,600</u>	<u>\$ 670</u>	<u>\$ 6,040</u>	
Component Units:						
Money market funds	\$ 23,460	\$ 23,460	\$ -	\$ -	\$ -	(1)
Government sponsored entities	4,458	2,744	1,714	-	-	AAA/Aaa
Repurchase agreement	6,407	6,407	-	-	-	
Strategic cash portfolio	3,736	3,736	-	-	-	
Total Component Units	<u>\$ 38,061</u>	<u>\$ 36,347</u>	<u>\$ 1,714</u>	<u>\$ -</u>	<u>\$ -</u>	

(1) While these Money Market Mutual funds and Money market 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 NRSRO's.

A reconciliation of the investments for the Primary Government presented above to the investments as presented in the statement of net assets follows (in thousands):

Investments as presented above:	\$ 12,116
Plus Certificates of Deposit reported as investments	10,292
Less Money market funds recorded as Restricted Cash & Cash Equivalents & Investments	(2,269)
Less Money market funds recorded as Cash & Cash Equivalents & Investments	(536)
Total investments	<u>\$ 19,603</u>

A reconciliation of the investments for the Component Units presented above to the investments as presented in the statement of net assets follows (dollars in thousands):

Investments as presented above:	\$ 38,061
Plus Certificates of Deposit reported as investments	18,793
Less Money market funds recorded as Restricted Cash & Cash Equivalents & Investments	(21,602)
Less Repurchase agreement recorded as Cash & Cash Equivalents	(6,407)
Total investments	<u>\$ 28,845</u>

Restricted Cash, Cash Equivalents and Investments — Restricted cash, cash equivalents and investments and reserved cash at September 30, 2009 included the following (dollars in thousands):

Primary Government

Tenant security deposits held in trust, replacement reserves and mortgage escrow deposits for Tsa-La-Gi	\$ 426
Capital replacement, closure and postclosure care costs of the Landfill Operations fund	2,292
Balance in Motor Fuel Tax Education Trust	23,036
Motor Fuel Tax Scholarship Reserve	706
Scholarship funds	571
Arkansas River Drybed Lands Settlement	2,269
Balance of funds accumulated for Debt service payments	1,689
District Court escrow account	<u>11</u>
Total Primary Government restricted cash, cash equivalents and investments	<u>\$ 31,000</u>

Component Units

Escrow relating to the Title VI loan with a bank (see Note 9)	\$ 2,561
HACN's lease-to-own homeownership program monthly equity payments	7,295
CNE and CNWM's construction escrow funds	10,622
Pari-mutuel horse racing activities escrow funds	<u>2,566</u>
Total Component Unit restricted cash, cash equivalents and investments	<u>\$ 23,044</u>

5. RECEIVABLES

Receivables for primary government at September 30, 2009 consisted of the following (dollars in thousands):

	Primary Government				
	Accounts Receivable			Total	Notes Receivable
	Grants & Contracts Receivable	Accounts Receivable	Interest Receivable		
Governmental Receivables:					
General					
Motor fuel taxes	\$ -	\$ 2,010	\$ 121	\$ 2,131	\$ -
Other taxes	-	16	-	16	-
Other accounts receivable	-	470	-	470	-
Special Revenue Funds	5,751	8,773	144	14,668	96
Other - Internal Service Funds	-	338	-	338	-
Receivables of Governmental Activities	<u>\$ 5,751</u>	<u>\$ 11,607</u>	<u>\$ 265</u>	<u>\$ 17,623</u>	<u>\$ 96</u>
Business-type Activities:					
Landfill operations	\$ -	\$ -	\$ 1	\$ 1	\$ -
Notes receivable, current	-	-	-	-	2,477
Long term notes receivable	-	-	-	-	20,118
	-	-	1	1	22,595
Less: Allowance for uncollectible accounts	-	-	-	-	(418)
Receivables of Business-type Activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 22,177</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 WW Hastings Hospital and clinics.

Receivables for component units at September 30, 2009 consisted of the following (dollars in thousands):

	Component Units					Total
	CNB	HACN	CNCCA	CNHHS	CNWM	
Receivables:						
Accounts	<u>\$ 21,396</u>	<u>\$ 219</u>	<u>\$ -</u>	<u>\$ 348</u>	<u>\$ 530</u>	<u>\$ 22,493</u>
Interest	-	419	-	-	-	419
Notes	<u>1,377</u>	<u>24,113</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,490</u>
	<u>1,377</u>	<u>24,532</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,909</u>
Less: Allowance for uncollectibles	<u>(307)</u>	<u>(85)</u>	<u>-</u>	<u>(12)</u>	<u>(404)</u>	<u>(808)</u>
Receivables, net	<u>\$ 22,466</u>	<u>\$ 24,666</u>	<u>\$ -</u>	<u>\$ 336</u>	<u>\$ 126</u>	<u>\$ 47,594</u>

Mortgages receivable — Title VI — HACN has mortgages receivable at September 30, 2009 totaling \$23,904,000 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, 2009 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, 2009,

the current and non-current portions of these mortgages receivable were \$547,000 and \$23,357,000, respectively. The Nation has a related note receivable from HACN recorded in its Business-Type Activities.

6. INTERFUND BALANCES AND TRANSFERS

Interfund balances at September 30, 2009 consisted of the following (dollars in thousands):

Due to general fund from:	
Nonmajor enterprise funds	\$ 170
Internal service funds	2,456
Self Governance DOI - Roads	1,346
Self Governance DHHS	13,830
HUD	3,268
Nonmajor governmental funds	<u>6,917</u>
Total due to general fund from other funds	<u>\$ 27,987</u>
Due from general fund to:	
Internal service funds	\$ 23,144
Nonmajor governmental funds	1,045
Title VI	<u>244</u>
Total due from general fund to other funds	<u>\$ 24,433</u>

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.

Tribal Council Legislative Act 27-08 authorized the cancellation of \$3,365,000 of the Series 2006 Health Care System Bonds at a discount by utilizing the Motor Fuel Tax Scholarship Reserve for a gain of \$189,000. The gain has been recognized in the General Fund. This is accounted for as an internal interest-bearing asset in the General Fund with the related liability in the DHHS fund. The terms relating to the internal interest-bearing asset and liability are the same terms of interest and maturity as the original bonds.

Interfund transfers for the year ended September 30, 2009 consisted of the following (dollars in thousands):

Transfer	
To general fund from:	
Self Governance DHHS	\$ 516
Self Governance DOI - Roads	364
Nonmajor governmental funds	786
Enterprise funds	<u>72</u>
Total transfers to general fund	<u>\$ 1,738</u>
To Housing and Urban Development from:	
General fund	<u>\$ 359</u>
To internal service funds from:	
General fund	<u>\$ 88</u>
To enterprise funds from:	
General fund	\$ 579
Housing and Urban Development	132
Nonmajor governmental funds	<u>236</u>
Total transfers to enterprise funds	<u>\$ 947</u>
To nonmajor governmental funds from:	
General fund	\$ 1,480
Self Governance DHHS	5,762
Housing and Urban Development	100
Enterprise fund	<u>518</u>
Total due from general fund to other funds	<u>\$ 7,860</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.

7. INVENTORIES

The Nation's inventories were comprised of the following at September 30, 2009 (dollars in thousands):

	Governmental Funds	Internal Service Funds	Component Units
Finished goods and raw materials	\$ 677	\$ -	\$ 18,053
Food for distribution	943	-	-
Supplies	<u>1,724</u>	<u>134</u>	<u>-</u>
	3,344	134	18,053
Less inventory reserves	<u>-</u>	<u>-</u>	<u>(3,956)</u>
Total inventories	<u>\$ 3,344</u>	<u>\$ 134</u>	<u>\$ 14,097</u>

The majority of the component unit inventory at September 30, 2009 relates to CNI, a component unit of CNB, engaged in the production, assembly, and repair of electronic component parts for the telecommunications and other industries.

8. CAPITAL ASSETS

A summary of capital assets activity by major class, for the year ended September 30, 2009 follows (dollars in thousands):

Governmental Activities

	Balance, September 30, 2008	Additions	Reductions	Balance, September 30, 2009
Activity by Major Class				
Capital assets, not being depreciated:				
Land	\$ 14,474	\$ 769	\$ -	\$ 15,243
Construction in process	1,316	410	(1,316)	410
Total capital assets, not being depreciated	<u>15,790</u>	<u>1,179</u>	<u>(1,316)</u>	<u>15,653</u>
Capital assets being depreciated:				
Buildings and improvements	78,678	1,665	(68)	80,275
Equipment	29,496	9,848	(2,133)	37,211
Land improvements	580	10	-	590
Total capital assets being depreciated	<u>108,754</u>	<u>11,523</u>	<u>(2,201)</u>	<u>118,076</u>
Less accumulated depreciation for:				
Buildings and improvements	(11,135)	(2,084)	-	(13,219)
Equipment	(18,552)	(3,874)	1,746	(20,680)
Land improvements	(41)	(20)	-	(61)
Total accumulated depreciation	<u>(29,728)</u>	<u>(5,978)</u>	<u>1,746</u>	<u>(33,960)</u>
Total capital assets being depreciated, net	<u>79,026</u>	<u>5,545</u>	<u>(455)</u>	<u>84,116</u>
Activity by major class capital assets, net	<u>\$ 94,816</u>	<u>\$ 6,724</u>	<u>\$ (1,771)</u>	<u>\$ 99,769</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
Tribal Government	\$ 2,194
Health Services	2,620
Education Services	377
Human Services	134
Community Services	<u>653</u>

Total Governmental activities depreciation expense \$ 5,978

<u>Business-type Activities</u>	Balance, September 30, 2008	Additions	Reductions	Balance, September 30, 2009
Capital assets, not being depreciated -				
Land	\$ 81	\$ -	\$ -	\$ 81
Capital assets being depreciated:				
Buildings and improvements	1,737	-	-	1,737
Machinery and equipment	45	-	(45)	-
Total capital assets being depreciated	<u>1,782</u>	<u>-</u>	<u>(45)</u>	<u>1,737</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,219)	(51)	-	(1,270)
Machinery and equipment	(45)	-	45	-
Total accumulated depreciation	<u>(1,264)</u>	<u>(51)</u>	<u>45</u>	<u>(1,270)</u>
 Total capital assets being depreciated, net	 <u>518</u>	 <u>(51)</u>	 <u>-</u>	 <u>467</u>
Business-type activities capital assets, net	<u>\$ 599</u>	<u>\$ (51)</u>	<u>\$ -</u>	<u>\$ 548</u>

<u>Component Unit Activities</u>	<u>Balance, September 30, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance, September 30, 2009</u>
CNB and HACN:				
Capital assets, not being depreciated:				
Land	\$ 38,392	\$ 4,489	\$ (441)	\$ 42,440
Construction in progress	136,211	137,392	(253,998)	19,605
Artwork	<u>484</u>	<u>475</u>	<u>(2)</u>	<u>957</u>
Total capital assets not being depreciated	<u>175,087</u>	<u>142,356</u>	<u>(254,441)</u>	<u>63,002</u>
Capital assets being depreciated:				
Buildings and improvements	258,150	205,730	(13,235)	450,645
Machinery and equipment	<u>90,865</u>	<u>58,696</u>	<u>(5,531)</u>	<u>144,030</u>
Total capital assets being depreciated	<u>349,015</u>	<u>264,426</u>	<u>(18,766)</u>	<u>594,675</u>
Less accumulated depreciation for:				
Buildings and improvements	(89,497)	(17,114)	12,341	(94,270)
Machinery and equipment	<u>(58,582)</u>	<u>(16,320)</u>	<u>5,278</u>	<u>(69,624)</u>
Total accumulated depreciation	<u>(148,079)</u>	<u>(33,434)</u>	<u>17,619</u>	<u>(163,894)</u>
Total capital assets being depreciated, net	<u>200,936</u>	<u>230,992</u>	<u>(1,147)</u>	<u>430,781</u>
CNB and HACN activities capital assets—net	<u>376,023</u>	<u>373,348</u>	<u>(255,588)</u>	<u>493,783</u>
Other Component Unit activities – CNHHS, CNCCA and CNWM capital assets, net	<u>3,740</u>	<u>9,601</u>	<u>(278)</u>	<u>13,063</u>
Total of the Component Unit activities—capital assets, net	<u>\$ 379,763</u>	<u>\$ 382,949</u>	<u>\$ (255,866)</u>	<u>\$ 506,846</u>

9. LONG-TERM DEBT

Long-term debt activity for the year ended September 30, 2009 was as follows (dollars in thousands):

<u>Governmental Activities</u>	Balance, October 1, 2008	Additions	Reductions	Balance, September 30, 2009	Current Portion	Long-Term Portion
Notes Payable						
3.7% Note payable to Bank of America. See (1) below.	\$ 2,564	\$ -	\$ (513)	\$ 2,051	\$ 532	\$ 1,519
Series 2006 Bonds payable with a pledge of revenues from Health Care System with semi-annual interest payments and annual principal and interest payments. Coupon rate ranges from 4.10% to 4.6%. Payments began December 2007 and bonds mature beginning December 2011. See (2) below.	28,460	-	(4,895)	23,565	1,595	21,970
Capital Leases						
Capital leases payable to Caterpillar Financial Services with aggregate monthly installments of \$9.7 including interest rates ranging from 4.29% to 4.44% and final payment due in October 2009. Secured by related equipment.	12	-	(12)	-	-	-
Capital lease payable to Kronos Inc. with monthly payments of \$23 including interest of 8.63% and final payment due in November 2010. Secured by related equipment.	498	-	(217)	281	258	23
Capital leases payable to BOKF Equipment Finance, Inc. with monthly payments of \$26 including interest of 3.55% due in March 2013. Secured by related equipment	<u>1,311</u>	<u>-</u>	<u>(297)</u>	<u>1,014</u>	<u>260</u>	<u>754</u>
Total long-term debt	\$ 32,845	\$ -	\$ (5,934)	\$ 26,911	\$ 2,645	\$ 24,266
Compensated Absences (See (3) below)	<u>4,673</u>	<u>8,347</u>	<u>(7,324)</u>	<u>5,696</u>	<u>5,696</u>	
Total long-term debt and compensated absences	<u>\$ 37,518</u>	<u>\$ 8,347</u>	<u>\$ (13,258)</u>	<u>\$ 32,607</u>	<u>\$ 8,341</u>	<u>\$ 24,266</u>

(1) In May 2003, the Nation entered into a \$5,000,000 financing agreement with a bank to fund capital improvement projects and to re-finance the 1992 Series Revenue Bonds. This note bears interest at 3.7% per annum, in monthly principal and interest installments of \$49,913 with final payment due in May 2013.

(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 beginning in 2011. The bonds are secured by a pledge of the health clinics 3rd party revenue and a general obligation of the Nation. A monthly debt service reserve of approximately \$213,000 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. The underwriter for the bond issuance was BOSCO, Inc., a subsidiary of BOK Financial Corporation. The proceeds of the bonds were used to pay off debt incurred to date on these projects and to complete the construction projects. The Muskogee Clinic, the largest of the three projects, was constructed and is 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 December 28, 2005. The Nation did plan, design, construct, equip, lease and operate the Muskogee Clinic according to IHS specifications. The IHS did provide funds to staff and equip the facility in accordance with the joint venture agreement and the self-governance compact. The JVCP agreement provides that the Nation was responsible for constructing the Muskogee Clinic. Upon completion of the Muskogee 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 Muskogee Clinic or the land it is located on but rather, the IHS is merely providing the funding for staffing and equipping the Muskogee Clinic. Pursuant to the terms of the JVCP Agreement, the Self Governance Compact and the no-cost lease, the Nation is the sole operator of the Muskogee Clinic and all employees of the Muskogee Clinic are employees of the Nation. The IHS does not directly provide services at the Muskogee Clinic. IHS funding for the operation of the Muskogee Clinic was provided to the Nation through the Funding Agreements.

The Nation repurchased its Series 2006 Health Care System Bonds in November 2008 which carried a face value of \$3,365,000. The bonds repurchase price was \$3,238,000 which included a gain of \$189,000 for a discounted purchase price of \$3,176,000. The accrued interest due to the bondholders of the bonds at the repurchase date was \$62,000.

- (3) 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 the liability can be made payable at any time by the employee leaving the employment of the Nation.

The balance of long-term debt for business-type activities at September 30, 2009 was \$22,290,000. The balance of Long-Term Debt for Component Units at September 30, 2009 was \$63,320,000. Long-term debt in the business-type activities and component units at September 30, 2009 consisted of the following (dollars in thousands):

<u>Business-type Activities</u>	Balance, October 1, 2008	Additions	Reductions	Balance, September 30, 2009	Current Portion	Long-Term Portion
Title VI Loan Fund						
Note payable to bank in fixed principal payments. See (1) below.	\$ 24,494	\$ -	\$ (3,955)	\$ 20,539	\$ 1,854	\$ 18,685
Tsa-La-Gi Apartments						
6.875% note payable to the U.S. Department of Housing & Urban Development (HUD) in monthly installments of \$10 including interest, with final payment due 2012, secured by certain land and buildings.	394	-	(99)	295	107	188
Economic Development Trust Authority						
Note payable to the Department of Agriculture in variable annual installments including interest of 1% annual, with final payment due October 16, 2030.	1,515	-	(59)	1,456	24	1,432
Total	<u>\$ 26,403</u>	<u>\$ -</u>	<u>\$ (4,113)</u>	<u>\$ 22,290</u>	<u>\$ 1,985</u>	<u>\$ 20,305</u>

(1) 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 are divided into two separate "pools" which carry different interest rates over the life of the loan. Pool A, with a balance at September 30, 2009 of \$5,717,000 carries an interest rate of 6.7%. Pool B, with a balance at September 30, 2009 of \$14,823,000 carries a variable interest rate, reset monthly, derived from the 30 day LIBOR + 70 basis points, which at September 30, 2009 was 0.96%. Pool A is repayable in monthly principal payments of \$54,358 through May 1, 2022, plus interest. Pool B, effective April 1, 2005 requires monthly principal payments of \$100,150 through June 1, 2022, plus interest. The loan matures in December 2022. 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 jurisdictional area. 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 \$2,500,000. 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, 2009 was \$19,291,000, of which, \$1,854,000 is included in notes receivable current and \$17,437,000 is reflected as long term notes receivable in the government-wide statement of net assets as well as at the Proprietary Fund level.

<u>Component Units</u>	Balance, October 1, 2008	Additions	Reductions	Balance, September 30, 2009	Current Portion	Long-Term Portion
Housing Authority of the Cherokee Nation ("HACN")						
Note payable to Cherokee Nation in fixed monthly principal payments of \$44 with interest calculated on the outstanding balance each month. See (1) below.	\$ 24,493	\$ -	\$ (5,202)	\$ 19,291	\$ 1,854	\$ 17,437
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 (2) below.	134	-	(7)	127	8	119
Assumable Mortgage Program ("AMP") - loans for use in the purchase of homes provided to program participants. Interest rates vary from 6.25% to 7% and are payable in monthly installments over thirty (30) years. See (3) below.	1,412	338	(20)	1,730	22	1,708
Cherokee Nation Businesses ("CNB")						
Effective April 4, 2002, CNI and a creditor restructured an existing trade payable initiated in fiscal year 2001 for inventory purchases totaling approximately \$8 to a long-term promissory note in 2005. The note is payable monthly with interest at 4% and is due in 2011.	325	-	(130)	195	125	70
CNB entered into a \$125,000 revolving syndicated credit agreement and a reducing term facility to fund expansions at CNE, diversification efforts at CNB, and operating and capital needs of other CNB subsidiaries. (See Note 10 Lines of Credit).	-	207,000	(167,000)	40,000	-	40,000
Cherokee Nation Comprehensive Care Agency ("CNCCA")						
Note payable to finance building 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.	1,386	-	(16)	1,370	12	1,358
Note payable to finance vehicle secured by the vehicle at 5.25% principal and interest of \$1 due monthly from July 2008 and ending June 2011.	37	-	(7)	30	11	19
Note payable to finance vehicle secured by the vehicle at 5.25% principal and interest of \$1 due monthly from September 2008 and ending August 2013.	15	-	(6)	9	6	3
Note payable to finance vehicle secured by the vehicle at 5.25% principal and interest of \$1 due monthly from February 2009 and ending January 2014.	-	32	(4)	28	6	22
Note payable to finance vehicle secured by the vehicle at 5.25% principal and interest of \$1 due monthly from September 2009 and ending August 2014.	-	32	-	32	7	25
Cherokee Nation Home Health Service ("CNHHS")						
Bank note payable dated June 7, 2006 in the original amount of \$372 has monthly payments of \$3, including interest at 8% and matures June 7, 2009, secured by a building and land. See (4) below.	351	-	(10)	341	11	330
Bank note payable dated December 5, 2007 in the original amount of \$54 has monthly payments of \$1, including interest at 8% and matures November 8, 2012 secured by a building.	48	-	(6)	42	7	35
Bank note payable dated October 31, 2008, with a maximum amount of \$125 payable in four monthly payments of interest at 7% through February 28, 2009 followed by monthly payments of \$3, maturing February 28, 2013 secured by certain equipment.	-	117	(16)	101	30	71
Cherokee Nation Waste Management ("CNWM")						
CNWM agreed to reimburse the Nation for payments under a capital lease on equipment used in the Cherokee Nation Sanitary Landfill operations. The transaction is being accounted for as if the lease had been assumed by CNWM.	119	-	(95)	24	24	-
Total	\$ 28,320	\$ 207,519	\$ (172,519)	\$ 63,320	\$ 2,123	\$ 61,197

- (1) HACN, during fiscal year 2009, 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 is divided into two separate "pools" which carry different interest rates over the life of the loan. Pool A, whose balance at September 30, 2009 was \$4,569,000 carries an interest rate of 6.7%. Pool B, whose balance at September 30, 2009 was \$14,723,000 carries a variable interest rate reset monthly, derived from the 30 day LIBOR + 70 basis points, which at September 30, 2009 was 0.95%. Pool A is repayable in monthly principal payments of \$54,358 through May 1, 2022, plus interest. Pool B principal payments of \$100,150 began March of 2005 and are scheduled through June 1, 2022, plus interest. During fiscal year 2009, HACN made total principal payments on Pool A of \$3,900,000 and on Pool B of \$1,302,000. As collateral for the loan, HACN 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 of the securities deposited to the pledge account.
- (2) During fiscal year 2006, HACN borrowed \$152,000 for its costs related to the Claremore QuadPlex project. The loan is repaid in monthly payments, beginning February 1, 2006, of \$1,341 including principal and interest. The loan carries an interest rate of 6.75%. The final payment will be made on February 1, 2021. At September 30, 2009 the loan balance was \$127,000.
- (3) During fiscal year 2007, HACN began its Assumable Mortgage Program. In fiscal year 2009, HACN has taken out 4 loans in the total amount of \$338,000 for use in the purchase of 23 total homes provided to program participants. Interest rates on the loans vary from 6.00% to 7.00% and are payable in monthly installments over thirty years. At September 30, 2009, the loan balance was \$1,730,000.
- (4) CNHHS renewed a promissory note and security agreement with a bank in June 2006 totaling \$371,261, which expires on June 7, 2009. Payments of \$2,901, including interest at 7.0% are due monthly with the remaining balance payable upon maturity. The purpose of the note was to finance the construction of a new office building, completed in March 2006. The note payable is collateralized by the property financed. Amount outstanding at September 30, 2009 was \$341,000.

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

	Principal	Interest	Total
Governmental Activities:			
2010	2,645	1,117	3,762
2011	2,528	1,010	3,538
2012	2,602	909	3,511
2013	2,346	804	3,150
2014	1,875	718	2,593
2015 through 2019	10,660	2,684	13,344
2020 through 2024	4,255	536	4,791
Total	<u>\$ 26,911</u>	<u>\$ 7,778</u>	<u>\$ 34,689</u>
Business-Type Activities:			
2010	1,985	1,123	3,108
2011	2,028	1,032	3,060
2012	1,988	932	2,920
2013	1,915	832	2,747
2014	1,915	734	2,649
2015 through 2019	8,780	2,133	10,913
2020 through 2024	3,137	286	3,423
2025 through 2029	349	22	371
2030 through 2034	193	5	198
Total	<u>\$ 22,290</u>	<u>\$ 7,099</u>	<u>\$ 29,389</u>

10. LINES OF CREDIT

On May 9, 2008, CNB entered into a \$125 million revolving syndicated credit agreement (Facility A) and a reducing term facility (Facility B) (collectively, the Facility). The proceeds from the Facility are to be used primarily to fund expansions at CNE, fund diversification efforts at CNB and fund the operating and capital needs of other CNB subsidiaries. CNE guarantees the Facility. In addition, the Facility is collateralized by CNE cash flows and substantially all of CNE's assets.

The following is a description of each facility:

Facility A – Facility A is a syndicated revolving facility totaling \$125 million. The facility bears interest at a base rate (the higher of the fed funds rate plus 50 basis points or the administrative agent's prime rate) or the London InterBank Offered Rate (LIBOR) plus 1.25% or 1.50%, depending on CNE's leverage ratio. Facility A has quarterly unused commitment fees, ranging from 0.25% to 0.50%, depending on the level of utilization of the facility. The facility reduces \$3,125,000 a quarter, beginning with the quarter ending June 30, 2010. Facility A matures on June 30, 2013. At September 30, 2009, CNB had borrowings outstanding under Facility A of \$40,000,000. In addition, CNB had letters of credit outstanding totaling \$5,321,000 at September 30, 2009. CNB's availability under Facility A was approximately \$79,679,000 at September 30, 2009.

Facility B – Facility B had an original principal amount of \$49,135,000, the balance of CNE's investment in the Columbia Strategic Cash Portfolio (the Portfolio) as of the closing date of the Facility. The availability under Facility B reduces on the 15th of each month to an amount equivalent to CNE's remaining balance in the Portfolio. Facility B bears interest at LIBOR plus 0.375%. Facility B matures on the earlier of final distribution of the Portfolio or November 9, 2010. At September 30, 2009, CNB had borrowings of \$10,000,000 outstanding under Facility B. CNB's availability under Facility B was \$10,035,000 at September 30, 2009.

Both CNB and CNE, as borrower and guarantor, respectively, are subject to various reporting and financial covenants, including a requirement to provide separate stand-alone audited financial statements for both entities. Both CNE and CNB were in compliance with all financial covenants at September 30, 2009. All interest and fees incurred by CNB under the Facility are allocated to the respective subsidiaries based on actual borrowings and/or prospective cash needs. Total Facility related costs allocated to CNE from CNB for the year ended September 30, 2009, were \$690,000.

11. TRUST LIABILITY

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.

The HACN Trust Liabilities reflected in the accompanying financial statements primarily includes 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 \$7,295,000 as of September 30, 2009. This along with other credits to these tenant/homebuyers totaled \$8,266,000 at September 30, 2009. 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, 2009, other amounts included in this category include escrow deposits held by the HACN associated with the Title VI program mortgages totaling \$106,000, and low income housing tenant's security deposits of \$85,000.

12. FUND BALANCE DESIGNATIONS AND RESERVATIONS

At September 30, 2009, the Nation had a total General Fund fund balance of \$68,569,000. This balance includes \$46,895,000 that has been reserved by Legislative Act or restricted by external sources and an unreserved fund balance of \$21,674,000. A brief description of the reserved elements of the Nation's General Fund fund balance follows:

Motor Fuel Tax — The Nation began receiving Motor Fuel Tax dollars in 1997 and based on existing agreements with the State of Oklahoma, will continue receiving such funds until 2016. These funds are subject to general restriction under the agreement with the State of Oklahoma. Cherokee Nation Legislative Act 10-97 further restricted the use of these funds to those matters specifically appropriated by Act 10-97 and future legislative acts. A summary of activity in this reserved fund balance during the year ended September 30, 2009 follows (dollars in thousands):

Balance at beginning of year	\$ 30,782
FY 2009 Motor Fuel Tax revenues	7,514
Interest earnings on unexpended funds	623
Actual expenditures	<u>(8,005)</u>
Balance at end of year	<u>\$ 30,914</u>

Tobacco surtax and tobacco retailers loan fund — The Nation passed legislation in 2006 adding a temporary surtax to be levied on certain tobacco transactions. The surtax was repealed in 2008. The surtax is reserved for initiatives to prevent and treat diabetes and cancer. A summary of activity in this reserved fund balance during the year ended September 30, 2009 follows (dollars in thousands):

Balance at beginning of year	\$ 3,219
Actual expenditures	<u>(2,991)</u>
Balance at end of year	<u>\$ 228</u>

The legislation authorized a \$1,000,000 loan fund to be made available to tobacco retailers that are adversely affected by Oklahoma Tax Commission emergency rules. However, the legislation had a sunset provision which terminated the loan fund.

Motor Vehicle Tax — In 2002, the Nation negotiated with the State of Oklahoma a licensing compact in which the Nation could license motor vehicles and other vehicles owned by the Nation's enrolled citizens living within the jurisdictional area of the Cherokee Nation. The Cherokee Nation Motor Vehicle Code provides for annual payments by the Nation of 38% of such of revenues to Oklahoma public schools, Sequoyah High School, and Cherokee Nation Head Start Centers, an amount equal to 20% of such revenues for counties, municipalities, and federally- and/or state-funded highway construction or maintenance projects located within the jurisdictional area, and up to 20% of the remaining revenues net of costs incurred in administering the tag office for funding local law enforcement within the jurisdictional area. The term of the compact shall remain for a period of ten years. Amounts restricted for schools, highways, and law enforcement at September 30, 2009 totaled approximately \$6,208,000. A summary of activity in this reserved fund balance during the year ended September 30, 2008 follows (dollars in thousands):

Balance at beginning of year	\$ 6,018
FY 2009 Motor Vehicle Tax revenues	7,400
Interest earnings on unexpended funds	73
Actual expenditures	<u>(7,283)</u>
Balance at end of year	<u>\$ 6,208</u>

Cash Reserve — In 2002, Legislative Act 5-02, authorized the establishment of a permanent Cash Reserve Fund. The total of this reserve at September 30, 2009 was \$1,256,000.

Arkansas River Drybed Lands Settlement — In FY 2004, Legislative Act 5-04 established the policies and procedures for governing the use and expenditure of trust funds awarded to the Cherokee Nation under the Cherokee, Choctaw, and Chickasaw Nations Claims Settlement Act ("Settlement Act"). The Settlement Act specifically set aside trust funds to be appropriated by Congress for Trust Land Acquisitions. The settlement proceeds, after payment of legal fees are reserved for the purchase of land in designated areas. The reserved fund balance and interest accumulated on the Arkansas River Drybed Lands Settlement at September 30, 2009 follows (dollars in thousands):

Balance at beginning of year	\$ 7,950
Actual expenditures	<u>(659)</u>
Balance at end of year	<u>\$ 7,291</u>

SHS Multipurpose Center — During fiscal year 2007, the Seminole Tribe of Florida donated \$142,000 to Sequoyah High School for the purchase of a sound and lighting system for the Sequoyah Multipurpose Facility. As of September 30, 2009, the reserved fund balance was fully expended.

TERO Job Training Programs — During fiscal year 2009, Legislative Act 38-05 reserved revenues collected by the TERO program to fund job training activities. This reserved fund balance on the TERO Job Training Programs at September 30, 2009 follows (dollars in thousands):

Balance at beginning of year	\$ -
FY 2009 TERO revenues	1,304
Actual expenditures	<u>(306)</u>
Balance at end of year	<u>\$ 998</u>

Unreserved General Fund — A summary of activity in the unreserved General fund balance for the year ended September 30, 2009 follows (dollars in thousands):

Unreserved fund balance at beginning of year	\$ 34,652
FY 2009 General Fund revenues and other financing sources	61,866
Less:	
Actual expenditures and other financing uses	(78,190)
Reduction in restricted funds in 2009	<u>3,346</u>
Unreserved fund balance at end of year	<u>\$ 21,674</u>

The Nation's unreserved fund balance decreased by \$12,978,000 during fiscal year 2009. The decrease in fund balance was primarily the result of decreased revenues of \$9,700,000 versus the prior year. Economic conditions adversely impacted the Nation's dividend income by approximately \$8,700,000 and lower interest rates resulted in a reduction of interest income of \$1,100,000 million. The decrease in unreserved fund balance was anticipated by the Nation in the annual comprehensive budget. At the end of fiscal year 2009, the unreserved fund balance is approximately 35% of fiscal year 2009 revenues.

The remaining fund balance reserved by legislative acts or external sources resides in other governmental funds.

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

The Nation owns a solid waste landfill in eastern Oklahoma. The Nation accounts for this landfill operation in accordance with the provisions of GASB Statement No. 18, "Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs" ("GASB Statement No. 18"), in the Landfill Operations 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 Operations, to report a portion of these costs as an operating expense in each period based on landfill capacity and utilization. The \$2,321,000 reported as Landfill Closure and Postclosure Care Liability at September 30, 2009 (included in "Other Noncurrent Liabilities"), represents the cumulative costs recognized to date based on the existing use of 35% of the total estimated capacity of the landfill. Landfill Operations will recognize the remaining estimated cost of closure and postclosure care of approximately \$4,386,000 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 2009. 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 9.3 million cubic yards. Actual remaining years of operation is dependent upon several factors including the volume of waste accepted on an annual basis.

Effective July 1, 2008, Cherokee Nation Businesses ("CNB"), a component unit of the Nation entered into an agreement with the Nation whereby CNB obtained the operating rights, through its blended component unit CNWM, for the Cherokee Nation Sanitary Landfill located in Adair County, Oklahoma. Effective September 30, 2009, the CNB transferred its membership in CNWM, LLC to the Nation. Under the current operating agreement, CNWM is not required to pay any royalty fees

to the Nation for these operating rights. However, CNWM is required to make an annual payment to the Nation in an amount sufficient to cover the change in the annually calculated closure/post closure liability associated with the landfill operation. The actual closure/post closure liability relating to the landfill operation will be retained by the Nation, together with the cash balances maintained in the Cherokee Nation's Closure/Postclosure restricted cash fund.

The Nation makes annual contributions to a restricted bank account to finance closure and postclosure care. At September 30, 2009, restricted cash and cash equivalents of approximately \$2,292,000 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.

Contract with City of Fayetteville, Arkansas – Cherokee Nation entered into a contract to transport and dispose of municipal solid waste and for operation of a transfer station with the City of Fayetteville ("City") on April 4th, 2006. The Nation through CNWM continued to operate the City's transfer station and the waste was being hauled to an alternate facility. Effective September 30, 2009, the Nation notified the City that the Nation would no longer operate the transfer station, but would be willing to enter into negotiations with the City for solid waste disposal. As of this date, the Nation has not entered into any new contracts with the City.

14. 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 \$150,000 per year per employee. Amounts over \$150,000 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 \$150,000 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, 2009. 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 \$2,600,000 at September 30, 2009, has been recorded in accordance with GASB Statement No. 10, 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
2008	\$1,595	\$13,449	(\$13,183)	\$1,861
2009	\$1,861	\$17,435	(\$16,696)	\$2,600

The claims above are expected to be paid from currently available financial resources and are included in the accompanying Proprietary Funds statement of net assets.

Workers' Compensation benefits are provided within the All Lines Aggregate program described below. There is \$100,000 retention with a maximum benefit of \$1,000,000 for each occurrence. Employers Liability has a \$1,000,000 per person/claim limit, and Crime coverage has a \$1,000,000 each loss limit with a Retroactive date of October 1, 2003.

The first \$100,000 of risk is retained with the All Lines Aggregate program responding to losses occurring between \$100,001 - \$10,000,000. 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 All Lines Aggregate program includes the following liability coverage on a \$5,000,000 per occurrence basis: Comprehensive General Liability, Products/Completed operations including but not limited to Contractual Liability, Special Events Liability, Sexual Misconduct 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. The following coverage lines have a limit of \$5,000,000 each occurrence and in the Aggregate: Police or Law Enforcement Officials Liability, Tribal Officials Liability, 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.

CNB and its blended component units provide employee health coverage under self-insured group health plans. The maximum liability amount for CNB and these component units range from \$75,000 to \$150,000 per employee per year. Any claims in excess of these limits are covered by insurance. The accrual is estimated based on consideration of prior claims experience, recently settled claims, frequency of claims and other economic and social factors. It is reasonably possible the estimates will change by a material amount in the near term.

Information concerning the changes in the CNB self-insurance medical liability follows (dollars in thousands):

Fiscal Year	Balance at Beginning of Year	Claims and Changes in Estimates	Claim Payments	Balance at End of Year
2008	\$1,980	\$15,472	(\$15,632)	\$1,820
2009	\$1,820	\$19,899	(\$18,859)	\$2,860

15. 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 Reliance Trust Company, 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 25% 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 Group Leader 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 2009 was approximately \$111,701,000, which included approximately \$109,234,000 for employees covered by the plan. Contributions to the 401(k) plan for 2009 were approximately \$8,530,000. Contributions expressed in dollars and percent of covered payroll were: Nation \$3,627,000, 4.2% and participants \$4,903,000, 5.7%.

The Nation's required contribution and percentage of contribution for fiscal year 2009 and the two preceding years follows:

Trend Information (dollars in thousands)

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Percentage Contribution</u>
2007	2,738	100%
2008	3,018	100%
2009	3,627	100%

In 2004 the Nation sponsored a deferred compensation 457(B) plan, which utilizes Nationwide Trust Company, FSB as trustee. A deferred compensation plan provides retirement benefits and provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined. Under a deferred compensation plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account and the returns earned on investments of those contributions. The 457(b) plan mirrors the 401(k) eligibility requirements and also allows participation of elected officials. The plan year is January 1 through December 31. Participants become fully vested after four years of participation in the plan. Employees may contribute up to 100% 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%, not to exceed a total combined match of 7% in all retirement plans. The plan is administered by the Group Leader 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. Contributions to the 457(b) plan for 2009 were \$252,000 of which \$67,000 was required and made by the Nation and \$185,000 was made by participants.

CNB, CNE and CSG provide a defined contribution retirement plan, the Cherokee Nation Entertainment, LLC 401(k) Retirement Savings Plan ("the Plan"). Full-time employees of CNB and these component units who have six months of service and who are at least 21 years old are eligible to participate in the Plan. Under the provisions of the Plan, participants must elect to contribute from 1% to 25% of their eligible compensation of which CNB and these component units will match 100% of the first 6%. During 2009, participating employees contributed 44,946,000 with employer matching contributions of \$4,014,000 to the Plan.

CNB's component unit, CNE, has deferred compensation and long-term incentive compensation arrangements and a supplemental retirement benefit plan for executive management. At September 30, 2009, liabilities under these deferred compensation and long-term incentive compensation arrangements totaled approximately \$1,532,000.

CNI has a 401(k) savings plan covering substantially all full-time employees except employees subject to medical leasing contracts with the U.S. government employed by CMS. CNI's discretionary contributions to the plan are made based on the participants' compensation. CNI's contributions to the plan were approximately \$261,000 for 2009.

CMS, a component unit of CNI, has a 401(k) plan covering substantially all full-time employees of CMS. CMS does not make contributions to this plan.

CSG provides employees hired from ITX a separate 401(k) plan. These employees who have three months of service and are at least 21 years old are eligible to participate in the plan. Participants must elect to contribute 1% to 100% of their eligible compensation of which CSG will match 50% of the first 10%. During 2009, CSG's contributions to the plan were approximately \$2,502.

16. WW Hastings Hospital

On October 1, 2008, the Cherokee Nation assumed the operations of W.W. Hastings Hospital located in Tahlequah Oklahoma. The hospital was previously operated by the United States Department of Health and Human Services Office of Indian Health Service (IHS). Ownership of the equipment, supplies, and pharmaceutical inventory utilized in the operation of the hospital was transferred to the Nation when it assumed operations of the hospital. The equipment was valued at approximately \$1.4 million at the date of transfer and was reflected as capital grants and contracts in the accompanying government wide statement of activities. The supplies and pharmaceutical inventories valued at approximately \$1.0 million dollars were reported as a reduction in health services expenditures in the accompanying governmental funds statement of revenues and expenditures and changes in fund balances. The real estate and buildings utilized by the hospital remain the property of the U.S. Government unless transferred to the Nation in the future.

In connection with the assumption of the operations of the hospital, the Nation entered into a new funding agreement with the United States Department of Health and Human Services (DHHS), which significantly increased the funding to be received under the Nation's Self Governance Compact with DHHS. The agreement also permitted the Nation to collect third party billings for

services provided by the hospital prior to October 1, 2008. These billings and collection in fiscal 2009 for services provided at the hospital prior to October 1, 2008 were approximately \$6,618,000 and were reported by the Nation as intergovernmental revenues in the accompanying governmental funds statement of revenues and expenditures and changes in fund balances.

Operations of the hospital have also resulted in significant increases in 3rd party revenues by the Nation, which will be used by the Nation to improve the health services provided by the Nation.

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 (30% as of September 30, 2009). Dividend payments to the Nation by component units totaled \$26,444,000 (which includes an accrual of \$2,193,000 for distribution) during 2009.

Cherokee National Businesses, LLC ("CNB") —The Nation levies certain taxes and fees which apply to some of the Nation's component units. During 2009, the Nation collected a tribal tax on food and beverage, tobacco, merchandise and other retail sales from CNE totaling \$1,425,000. The Nation's Gaming Commission, which has regulatory oversight responsibility for gaming, collected fees of \$2,475,000 from CNE. The Nation also provides certain security services to CNE through the Nation's Marshal Service. In 2009, the Nation collected \$736,000 from CNE for services provided by the Marshals.

CNE 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 Cherokee Nation's history and making contributions to communities within the Cherokee Nation. During 2009, CNE incurred \$2,280,000 in operating and employee costs in addition to a \$569,000 capital grant awarded to the Nation for cultural development activities.

Housing Authority of the Cherokee Nation ("HACN") — February 14, 2008, the Nation and HACN entered into a Memorandum of Agreement ("MOA") for the purpose of designating the Nation as the entity to administer housing programs on behalf of the HACN effective May 1, 2008. This MOA applies to all activities and expenditures of the Nation that are made on behalf of the HACN and encompasses all funding sources of the HACN including but not limited to NAHASDA, Program Income, Non-Program Income, MEPA, Proceeds of Sale, and Operating Reserves. HACN will retain operations related to land title and oversight of the low income tax credit partnership projects. The MOA shall remain in effect until terminated. The HACN has a Board of Commissioners that continues to provide oversight and direction to the remaining activities of HACN. Proceeds of sale funds totaling \$2,364,000 were provided to the Nation during fiscal year 2009 to assist with the cost of administering the housing programs.

The Nation provided land totaling \$1,249,000 to the HACN for future housing project use.

Cherokee Nation Comprehensive Care Agency ("CNCCA") — The Nation contributed \$750,000 to be used to fund the startup operations of PACE.

Cherokee National Historical Society, Inc ("CNHS") — In November 2005, the Nation, CNE, and the CNHS entered into a Memorandum of Agreement 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. CNHS remained responsible for all charitable fundraising, maintaining memberships,

operating the museum and teach the Cherokee Humanities Course. In 2009, CNE provided marketing services, including group sales, and operation of the museum store at a net cost to CNE of \$355,000. The Nation performed all remaining operational and educational functions such as accounting, purchasing, contracts, human resources, information technology, and facilities maintenance. The Memorandum of Agreement is renewable annually upon agreement of the entities involved. For fiscal year 2009, the Nation's general fund included operational expenses of \$1,220,000 for the Cherokee Nation Historical Society.

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. There are three cases currently pending on this issue in the District Court for the District of Columbia, the Northern District of Oklahoma, and Cherokee Nation District Court. Those persons excluded by the special election have alleged that they cannot be disenrolled under the Nation's 1866 Treaty with the United States, along with various federal laws. The net impact of this case is not certain but is not expected to have a material adverse economic impact on the Nation.

Federal Grants — In the normal course of operations, the Nation and its component units receive grant funds from various federal agencies. The grant programs are subject to audit 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.

United Keetoowah Band/Arkansas River Drybed Settlement Claim — The United Keetoowah Band of Cherokee Indians of Oklahoma filed a claim in the United States Court of Claims, alleging that it was entitled to a portion of the funds from the Arkansas Riverbed Settlement Act passed by Congress. 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.

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.

Housing and Urban Development ("HUD") Review — HUD issued a Final monitoring report, dated November 14, 2008 of the Nation's NAHASDA program which contained several findings, including a finding related to the Title VI Loan Program of approximately \$3.1 million. The \$3.1 million was primarily the result of early homeowner mortgage payoffs at HACN. In 2009, these funds were transferred to the Nation from the HACN for debt service. All of the findings have been closed with the exception of the finding related to requests for additional justification of all costs, funded through HUD, related to the Nation's Marshal Service expenditures. The Nation disagreed with the finding and has formally appealed the finding with HUD and does not expect any significant impact to the financial statements as a result of this finding. The Nation continues to work closely with HUD to close this finding.

HACN Matters — The HACN has provided a "Tax Credit Recapture Guarantee" to the Limited Partners of Jay Senior Housing, Stilwell Senior Housing, and the Wisdom Keepers Limited Partnerships (third party syndicators of the tax credits) should the Internal Revenue Service

disallow the use of any of the tax credits being marketed to third party investors by the Limited Partners. The HACN has also provided "Operating Deficit Guarantees" to the Limited Partners of Jay and Stilwell Senior Housing Limited Partnerships and Wisdom Keepers Limited Partnerships which would require the Housing Authority to provide capital for operations should the need arise.

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.

At September 30, 2009, CNE had construction projects underway for the expansion of the Catoosa and West Siloam Springs facilities. Some of the project costs are under contractual commitments while others do not include contractual commitments, but once construction started, there is generally a business imperative to complete such construction projects. The total estimated cost for these two projects is approximately \$295,600,000 of which \$243,700,000 has been incurred as of September 30, 2009. The remaining costs are expected to be incurred during 2010. Cash flows from ongoing operations and available credit facilities are expected to be sufficient to fund ongoing projects.

During 2007, CNE entered into a volume software license agreement with a vendor requiring annual payments of approximately \$610,000. The agreement expires June 8, 2010.

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 a motor fuel marketing agreement with a vendor to purchase motor fuel products for sale at the Roland Travel Plaza in Roland, Oklahoma, which opened in May 2007. The agreement is effective the first day of the month following completion and continues for a period of 10 years. Total purchases under this agreement were \$4,921,000 in 2009.

In 2004, CNE acquired Will Rogers Downs, LLC 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 Bureau of Indian Affairs 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.

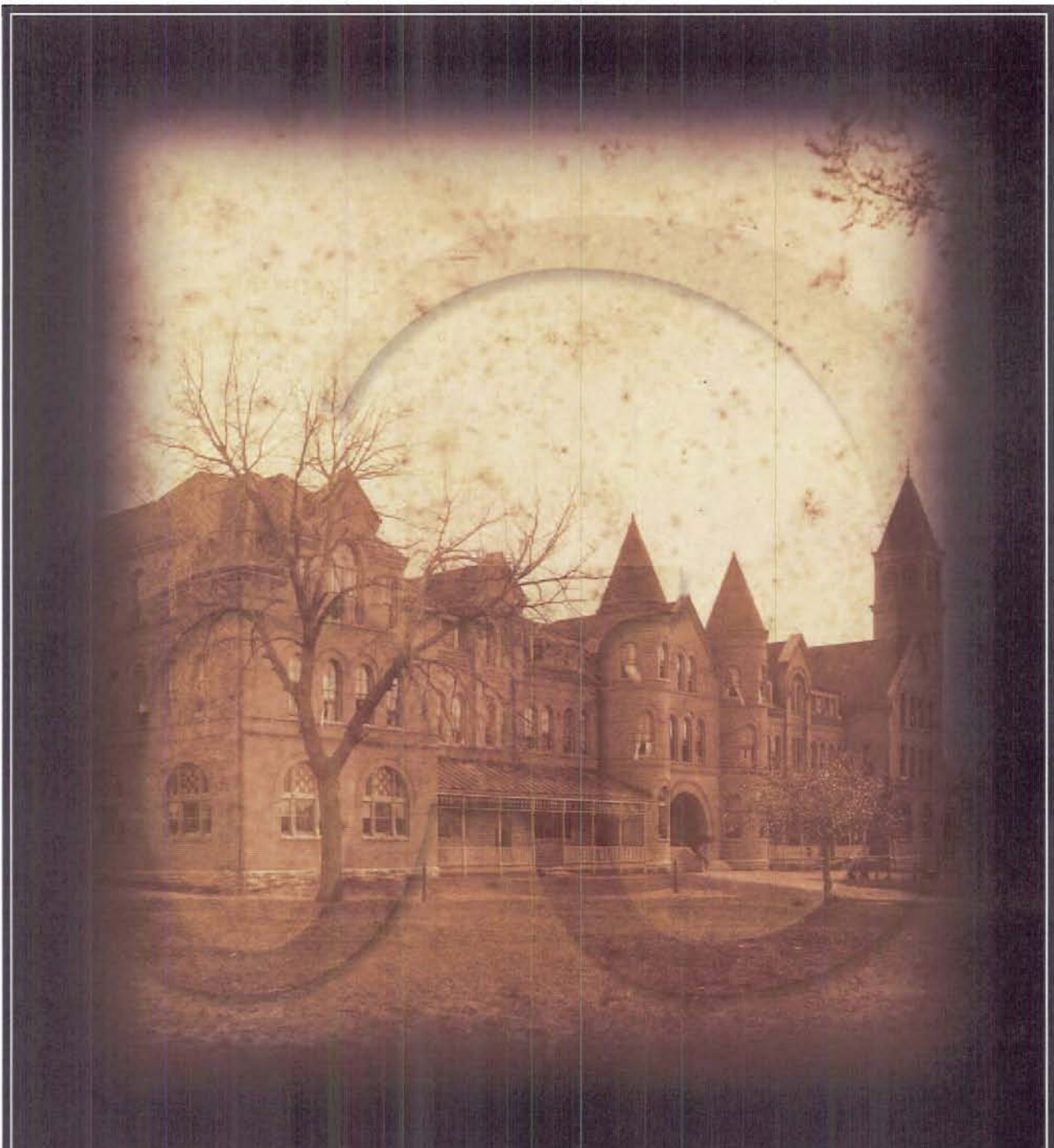
In November 2008, CNE entered into a licensing agreement with Hard Rock Hotel Holding, LLC and HRHH IP, LLC. Under the terms of the agreement, CNE branded its Catoosa property under the Hard Rock Hotel and Casino name effective August 2009. CNE is required to make annual license payments based on a percentage of Catoosa property revenues, as defined in the agreement, with a minimum annual payment of \$5,000,000 for each of the first three years. 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. During 2009, CNE paid approximately \$833,000 in license fees, of which \$304,000

was recognized as license fee expense and is included in marketing, general and administrative expense in the statement of revenues, expenses and changes in net assets. The remaining balance of \$530,000 was recorded as an intangible asset. Amortization of the intangible asset for the year ended September 30, 2009, of \$126,000 is included in depreciation and amortization in the statement of revenues, expenses and changes in net assets. The amortized balance of the intangible asset was approximately \$404,000 at September 30, 2009. In addition to paying a license fee under the Hard Rock license agreement, CNE is also required to meet certain operational and capital standards.

Loan Guarantees – On July 21st, 2008, the Nation approved a loan guarantee for Chilocco Benefit Association, Inc, an unrelated nonprofit organization, up to \$300,000. To date, no loan has been obtained by the organization and no guarantee has been executed.

The Nation approved a loan guarantee for Cherokee Nation Home Health Services, Inc., a component unit, up to \$915,000. To date, no loan has been obtained and no guarantee has been executed related to this guarantee.

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OTHER SUPPLEMENTARY INFORMATION

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CHEROKEE NATION®

Comprehensive Annual Financial Report



NONMAJOR GOVERNMENTAL FUNDS

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CHEROKEE NATION®

Comprehensive Annual Financial Report

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 geographic boundaries.
- **Sequoyah Education** – Established to account for grant funds received from the Department of the Interior 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.
- **PL102-477** – 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 youth, 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 monies are expended in accordance with plans for use and distribution adopted by the Nation and approved as applicable, by the Secretary of the Interior. The judgment fund is controlled and administered by the Bureau of Indian Affairs.
- **Tribal Trusts** – Established to account for income received from external users of tribal lands, such as oil and gas royalties. The Bureau of Indian Affairs administers these funds which may be expended upon request and approval by the Secretary.

Capital Projects Fund – Established in 2006 to account for financial resources to be used for major construction projects.

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 they 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, 2009
 (Dollars in Thousands)

	Special Revenue Funds										Capital Projects				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	Capital Projects Fund	Sequoyah Endowment	Education Trust	Debt Service Fund	Gammon	Total	Total			
ASSETS																					
Cash and cash equivalents	\$ 3,281	\$ 11,504	\$ 25	\$ 4,191	\$ -	\$ -	\$ 10,392	\$ 1,563	\$ 276	\$ 261	\$ 31,483	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 31,483		
Investments	-	-	-	-	-	-	-	292	7,588	1,723	9,603	-	-	-	-	-	-	-	9,603		
Receivables, net	1	16	1,504	-	51	943	1	2,461	84	7	5,574	-	-	-	-	-	-	-	5,574		
Due from other funds	-	-	-	-	-	-	-	-	-	-	-	1,045	-	-	-	-	-	-	1,045		
Inventories	-	-	-	-	943	-	-	-	-	-	943	-	-	-	-	-	-	-	943		
Notes receivable	-	-	-	-	-	-	-	96	-	-	96	-	-	-	-	-	-	-	96		
Other current assets	-	-	-	-	-	428	-	-	-	-	428	-	-	-	-	-	-	-	428		
Restricted cash, cash equivalents and investments	-	-	-	-	-	-	-	-	2,269	-	2,269	-	-	1,689	208	363	571	-	4,529		
Total assets	\$ 3,282	\$ 11,520	\$ 1,529	\$ 4,191	\$ 994	\$ 1,371	\$ 10,393	\$ 4,402	\$ 10,217	\$ 1,991	\$ 50,396	\$ 1,045	\$ 208	\$ 1,689	\$ 363	\$ 571	\$ -	\$ 53,701			
LIABILITIES AND FUND BALANCE																					
Liabilities	\$ 10	\$ 54	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 73	\$ -	\$ -	\$ 137	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 137		
Accounts payable and accrued liabilities	696	397	1,528	178	51	473	666	584	1,740	64	6,883	-	-	34	-	-	-	-	6,917		
Due to other funds	-	-	-	-	-	893	-	-	-	-	893	-	-	-	-	-	-	-	893		
Other liabilities	2,542	9,010	1	4,013	-	5	8,333	1,087	-	-	24,991	-	-	-	-	-	-	-	24,991		
Deferred grant revenue	34	-	-	-	943	-	-	-	-	-	977	-	-	-	-	-	-	-	977		
Unearned revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Total liabilities	3,282	9,461	1,529	4,191	994	1,371	8,999	1,744	1,740	64	33,681	-	-	34	-	-	-	-	33,915		
Fund balance, reserved	-	2,059	-	-	-	-	1,394	2,658	8,477	1,927	16,515	1,045	208	1,655	363	571	-	-	19,786		
Total fund balances	-	2,059	-	-	-	-	1,394	2,658	8,477	1,927	16,515	1,045	208	1,655	363	571	-	-	19,786		
Total liabilities and fund balance	\$ 3,282	\$ 11,520	\$ 1,529	\$ 4,191	\$ 994	\$ 1,371	\$ 10,393	\$ 4,402	\$ 10,217	\$ 1,991	\$ 50,396	\$ 1,045	\$ 208	\$ 1,689	\$ 363	\$ 571	\$ -	\$ 53,701			

CHEROKEE NATION
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED, SEPTEMBER 30, 2009
 (Dollars in Thousands)

	Special Revenue Funds										Capital Projects			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	Capital Projects Fund	Debt Service Fund	Sequoyah Endowment	Gammon Education Trust	Total		
Revenues:																			
Intergovernmental	\$ 10,272	\$ 6,547	\$ 6,617	\$ 6,182	\$ 9,017	\$ 7,004	\$ 5,923	\$ 12,400	\$ 23,650	\$ -	\$ -	\$ 89,612	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 85,612	
Interest	23	123	-	27	-	-	1	113	8	269	26	590	-	-	1	2	593		
Other	431	5	12	-	67	-	1,774	556	1,574	339	339	4,758	-	-	-	-	4,758		
Health third party	-	-	-	-	-	-	-	-	653	-	-	653	-	-	-	-	653		
Total revenues	10,726	8,675	6,629	6,209	9,084	7,004	7,698	13,069	25,895	269	365	95,613	-	-	1	2	95,613		
Expenditures:																			
Current operating:																			
Tribal government	3,694	-	-	-	-	-	-	-	504	(108)	(8)	4,082	-	8	-	-	4,090		
Health services	3,500	-	-	6,184	-	6,984	-	-	11,558	-	-	24,726	(96)	-	-	-	24,630		
Education services	2,756	8,142	6,629	-	-	-	7,832	2,604	2,208	-	-	30,915	-	-	-	-	30,915		
Human services	-	-	-	-	9,339	-	-	10,330	8,435	-	-	30,860	-	-	-	-	30,860		
Community services	-	-	-	-	-	-	-	-	2,502	-	-	3,723	-	-	-	-	3,723		
Debt services	-	-	-	-	-	-	-	-	-	-	-	-	-	4,706	-	-	4,706		
Principal	-	-	-	-	-	-	-	-	-	-	-	-	-	1,133	-	-	1,133		
Interest	12	486	-	25	457	20	-	22	41	-	-	1,063	75	-	-	-	1,138		
Capital outlay	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Total expenditures	10,763	8,628	6,629	6,209	9,796	7,004	7,832	12,956	25,648	(108)	(8)	95,369	(21)	5,847	-	-	101,195		
Excess (deficiency) of revenues over expenditures	(57)	47	-	-	(712)	-	(134)	113	237	377	373	244	21	(5,847)	1	2	(5,579)		
Other financing sources (uses):																			
Insurance recoveries	-	-	-	-	-	-	6	-	1	-	-	7	-	-	-	-	-	7	
Transfers in	60	-	-	-	712	-	128	-	1,178	-	-	2,058	-	5,762	-	-	-	7,860	
Transfers out	(23)	-	-	-	-	-	-	-	(999)	-	-	(1,022)	-	-	-	-	-	(1,022)	
Total other financing sources (uses)	57	-	-	-	712	-	134	-	180	-	-	1,083	-	5,762	-	-	-	6,845	
Net change in fund balances	-	47	-	-	-	-	-	113	417	377	373	1,327	21	(85)	1	2	1,266		
Fund balance, October 1, 2008	-	2,012	-	-	-	-	-	1,281	2,241	6,100	1,554	15,188	1,024	1,740	207	361	568	18,520	
Fund balance, September 30, 2009	\$ -	\$ 2,059	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,394	\$ 2,658	\$ 6,477	\$ 1,927	\$ 16,515	\$ 1,045	\$ 1,655	\$ 208	\$ 363	\$ 571	\$ 19,786	

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CHEROKEE PRIMER.



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NONMAJOR ENTERPRISE FUNDS

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CHEROKEE NATIONᄁ

Comprehensive Annual Financial Report

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, financial position and capital maintenance. The 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.
- **Landfill Operations** – Utilized to account for the solid waste landfill operations of the Nation located in 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 through conventional lending sources.
- **Other Enterprises** – Utilized to account for various other small proprietary programs operated by the Nation such as Enterprise Management, 202 HUD Housing Management, Indian Health Services Personnel Service Agreement, Home Maintenance, Cherokee Navigation, and Extended Care.

CHEROKEE NATION

COMBINING STATEMENT OF NET ASSETS - NONMAJOR ENTERPRISE FUNDS

SEPTEMBER 30, 2009

(Dollars in Thousands)

	Tsa-La-Gi Apartments	Landfill Operations	EDTA	Other Enterprises	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 78	\$ -	\$ 1,045	\$ -	\$ 1,123
Accounts receivable, net	-	1	-	-	1
Due from component units	-	197	-	-	197
Notes receivable, current	-	-	205	-	205
Other current assets	2	-	8	-	10
Total current assets	80	198	1,258	-	1,536
Noncurrent assets:					
Restricted cash, cash equivalents and investments	426	2,292	-	-	2,718
Long-term notes receivable	-	-	2,681	-	2,681
Capital assets, net	548	-	-	-	548
Total noncurrent assets	974	2,292	2,681	-	5,947
Total assets	1,054	2,490	3,939	-	7,483
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	28	-	-	-	28
Current portion of long-term debt	107	-	24	-	131
Due to other funds	3	153	14	-	170
Other current liabilities	19	-	-	-	19
Total current liabilities	157	153	38	-	348
Noncurrent liabilities:					
Long-term debt	188	-	1,431	-	1,619
Other liabilities	-	2,321	-	-	2,321
Total noncurrent liabilities	188	2,321	1,431	-	3,940
Total liabilities	345	2,474	1,469	-	4,288
NET ASSETS					
Invested in capital assets, net of related debt	253	-	-	-	253
Restricted for capital replacements	398	-	-	-	398
Unrestricted net assets	58	16	2,470	-	2,544
Total net assets	\$ 709	\$ 16	\$ 2,470	\$ -	\$ 3,195

CHEROKEE NATION

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009
(Dollars in Thousands)**

	Business-type Activities- Enterprise Funds				Total
	Tsa-La-Gi Apartments	Landfill Operations	EDTA	Other Enterprises	
Operating revenues:					
Property rentals	\$ 510	\$ -	\$ -	\$ -	\$ 510
Other	10	-	31	-	41
Total operating revenues	<u>520</u>	<u>-</u>	<u>31</u>	<u>-</u>	<u>551</u>
Operating expenses:					
Salaries and wages	37	-	-	-	37
Other services and charges	267	-	66	-	333
Materials and supplies	16	-	-	-	16
Depreciation and amortization	51	-	-	-	51
Total operating expenses	<u>371</u>	<u>-</u>	<u>66</u>	<u>-</u>	<u>437</u>
Operating income (loss)	<u>149</u>	<u>-</u>	<u>(35)</u>	<u>-</u>	<u>114</u>
Nonoperating revenues (expenses):					
Interest income	2	16	136	-	154
Interest expense	(23)	-	(7)	-	(30)
Net nonoperating revenues (expenses)	<u>(21)</u>	<u>16</u>	<u>129</u>	<u>-</u>	<u>124</u>
Income (loss) before transfers	128	16	94	-	238
Transfers in	-	579	368	-	947
Transfers out	-	-	(518)	(72)	(590)
Change in net assets	128	595	(56)	(72)	595
Total net assets/(deficit) - beginning	<u>581</u>	<u>(579)</u>	<u>2,526</u>	<u>72</u>	<u>2,600</u>
Total net assets - ending	<u>\$ 709</u>	<u>\$ 16</u>	<u>\$ 2,470</u>	<u>\$ -</u>	<u>\$ 3,195</u>

CHEROKEE NATION

**COMBINING STATEMENT OF CASH FLOWS - NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009
(Dollars in Thousands)**

	Business-type Activities- Enterprise Funds				Total
	Tsa-La-Gi Apartments	Landfill Operations	EDTA	Other Enterprises	
Cash flows from operating activities:					
Receipts from customers	\$ 510	\$ (1)	\$ 1	\$ -	\$ 510
Internal activity - payments from other funds	-	-	472	72	544
Payments to suppliers	(283)	(58)	(75)	-	(416)
Payments to employees	(37)	-	-	-	(37)
Internal activity - payment to other funds	1	(612)	14	-	(597)
Internal activity - payments to other Component Units	-	(22)	-	-	(22)
Other receipts	10	-	31	-	41
Net cash provided by (used for) operating activities	<u>201</u>	<u>(693)</u>	<u>443</u>	<u>72</u>	<u>23</u>
Cash flows from noncapital financing activities					
Transfer from other funds	-	579	368	-	947
Transfer to other funds	-	-	(518)	(72)	(590)
Principal payment on notes payable	-	-	(59)	-	(59)
Interest payment on notes payable	-	-	(7)	-	(7)
Net cash provided by (used for) noncapital financing activities	<u>-</u>	<u>579</u>	<u>(216)</u>	<u>(72)</u>	<u>291</u>
Cash flows from capital and related financing activities					
Principal payments on capital debt and leases	(100)	-	-	-	(100)
Interest payments on capital debt and leases	(23)	-	-	-	(23)
Net cash used for capital and related financing activities	<u>(123)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(123)</u>
Cash flows from investing activities					
Interest and dividends received	2	16	136	-	154
Decrease(increase) in notes receivable, net	-	-	(1,004)	-	(1,004)
Net cash provided by (used for) investing activities	<u>2</u>	<u>16</u>	<u>(868)</u>	<u>-</u>	<u>(850)</u>
Net increase (decrease) in cash and cash equivalents	80	(98)	(641)	-	(659)
Cash and cash equivalents, October 1, 2008	424	2,390	1,686	-	4,500
Cash and cash equivalents, September 30, 2009	<u>\$ 504</u>	<u>\$ 2,292</u>	<u>\$ 1,045</u>	<u>\$ -</u>	<u>\$ 3,841</u>
Cash and cash equivalents consist of:					
Unrestricted cash and cash equivalents	\$ 78	\$ -	\$ 1,045	\$ -	\$ 1,123
Restricted cash and cash equivalents	426	2,292	-	-	2,718
Total Cash and Cash Equivalents, September 30, 2009	<u>\$ 504</u>	<u>\$ 2,292</u>	<u>\$ 1,045</u>	<u>\$ -</u>	<u>\$ 3,841</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 149	\$ -	\$ (35)	\$ -	\$ 114
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	51	-	-	-	51
Change in assets and liabilities:					
Receivables and due from (to) other funds	-	(198)	473	72	347
Other current assets	-	-	(8)	-	(8)
Liabilities and other payables	1	(495)	13	-	(481)
Net cash provided by (used for) operating activities	<u>\$ 201</u>	<u>\$ (693)</u>	<u>\$ 443</u>	<u>\$ 72</u>	<u>\$ 23</u>

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INTERNAL SERVICE FUNDS

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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.
- **Force Accounts** is used to acquire and maintain equipment and supplies used 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, such as accounting, human resources and acquisition management, to other funds of the Nation.

CHEROKEE NATION

COMBINING STATEMENT OF NET ASSETS - INTERNAL SERVICE FUNDS

SEPTEMBER 30, 2009

(Dollars in Thousands)

	Internal Leases	Force Accounts	Fringe Pool	Indirect Cost Pool	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ -	\$ -	\$ 37	\$ 8	\$ 45
Accounts receivable, net	-	-	237	101	338
Due from other funds	-	-	19,692	3,452	23,144
Due from component units	-	-	46	37	83
Inventories	-	-	-	134	134
Other current assets	-	-	-	227	227
Total current assets	<u>-</u>	<u>-</u>	<u>20,012</u>	<u>3,959</u>	<u>23,971</u>
Noncurrent assets:					
Capital assets, net	11,351	-	-	1,644	12,995
Total noncurrent assets	<u>11,351</u>	<u>-</u>	<u>-</u>	<u>1,644</u>	<u>12,995</u>
Total assets	<u>11,351</u>	<u>-</u>	<u>20,012</u>	<u>5,603</u>	<u>36,966</u>
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	4	-	8,107	151	8,262
Current portion of long-term debt	532	-	-	-	532
Current portion of capital leases	-	-	-	258	258
Due to other funds	2,456	-	-	-	2,456
Compensated absences	-	-	5,696	-	5,696
Other current liabilities	-	-	2,667	3,390	6,057
Total current liabilities	<u>2,992</u>	<u>-</u>	<u>16,470</u>	<u>3,799</u>	<u>23,261</u>
Noncurrent liabilities:					
Long-term debt	1,519	-	-	-	1,519
Capital leases payable	-	-	-	23	23
Total noncurrent liabilities	<u>1,519</u>	<u>-</u>	<u>-</u>	<u>23</u>	<u>1,542</u>
Total liabilities	<u>4,511</u>	<u>-</u>	<u>16,470</u>	<u>3,822</u>	<u>24,803</u>
NET ASSETS					
Invested in capital assets, net of related debt	9,300	-	-	1,363	10,663
Unrestricted net assets/(deficit)	(2,460)	-	3,542	418	1,500
Total net assets	<u>\$ 6,840</u>	<u>\$ -</u>	<u>\$ 3,542</u>	<u>\$ 1,781</u>	<u>\$ 12,163</u>

CHEROKEE NATION

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009
(Dollars in Thousands)**

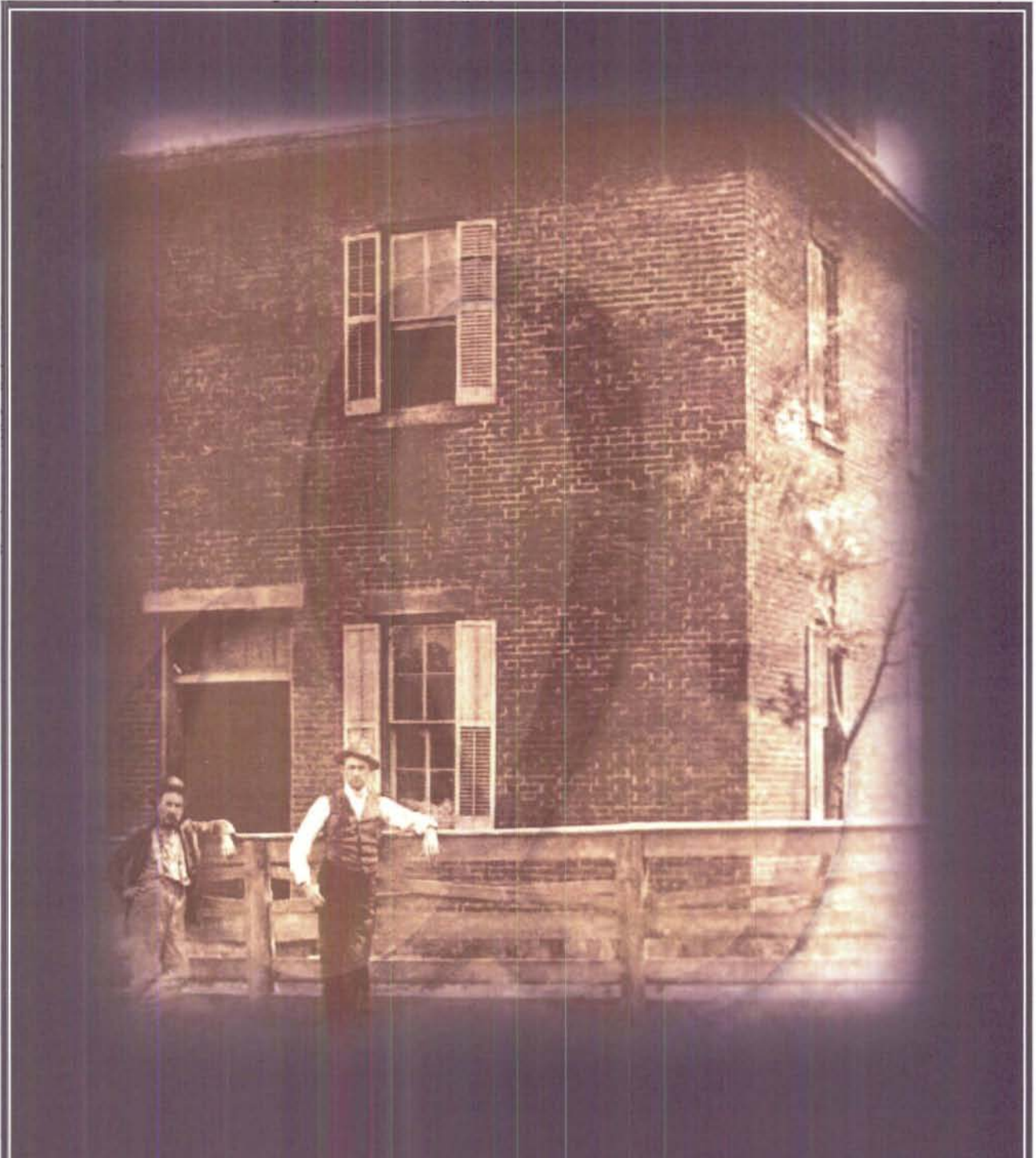
	<u>Internal Leases</u>	<u>Force Accounts</u>	<u>Fringe Pool</u>	<u>Indirect Cost Pool</u>	<u>Total</u>
Operating revenues:					
Property rentals	\$ 4	\$ -	\$ -	\$ -	\$ 4
Charges for services and goods	3,169	-	51,486	31,428	86,083
Other	76	-	-	165	241
Total operating revenues	<u>3,249</u>	<u>-</u>	<u>51,486</u>	<u>31,593</u>	<u>86,328</u>
Operating expenses:					
Cost of sales	(40)	-	-	378	338
Salaries and wages	1,494	23	50,978	15,609	68,104
Other services and charges	1,279	17	12	13,033	14,341
Materials and supplies	219	-	-	1,000	1,219
Depreciation and amortization	485	-	-	700	1,185
Total operating expenses	<u>3,437</u>	<u>40</u>	<u>50,990</u>	<u>30,720</u>	<u>85,187</u>
Operating income (loss)	<u>(188)</u>	<u>(40)</u>	<u>496</u>	<u>873</u>	<u>1,141</u>
Nonoperating revenues (expenses):					
Interest income	1	-	-	-	1
Interest expense	(85)	-	-	(32)	(117)
Net nonoperating revenues (expenses)	<u>(84)</u>	<u>-</u>	<u>-</u>	<u>(32)</u>	<u>(116)</u>
Income (loss) before transfers	(272)	(40)	496	841	1,025
Transfers in	-	88	-	-	88
Change in net assets	(272)	48	496	841	1,113
Total net assets/(deficit) - beginning	7,112	(48)	3,046	940	11,050
Total net assets - ending	<u>\$ 6,840</u>	<u>\$ -</u>	<u>\$ 3,542</u>	<u>\$ 1,781</u>	<u>\$ 12,163</u>

CHEROKEE NATION

**COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009
(Dollars in Thousands)**

	<u>Internal Leases</u>	<u>Force Accounts</u>	<u>Fringe Pool</u>	<u>Indirect Cost Pool</u>	<u>Total</u>
Cash flows from operating activities:					
Receipts from customers - other funds	\$ 3,173	\$ -	\$ 51,249	\$ 31,611	\$ 86,033
Payments to suppliers	(1,459)	(17)	-	(13,517)	(14,993)
Payments to employees	(1,494)	(23)	(49,955)	(15,609)	(67,081)
Internal activity - payments to other funds	(525)	(48)	(3,797)	(1,944)	(6,314)
Internal activity - payments to other component units	-	-	(46)	(37)	(83)
Other receipts	76	-	2,551	165	2,792
Net cash provided by (used for) operating activities	<u>(229)</u>	<u>(88)</u>	<u>2</u>	<u>669</u>	<u>354</u>
Cash flows from noncapital financing activities					
Transfer from other funds	-	88	-	-	88
Net cash provided by noncapital financing activities	<u>-</u>	<u>88</u>	<u>-</u>	<u>-</u>	<u>88</u>
Cash flows from capital and related financing activities					
Purchases of capital assets	(215)	-	-	(419)	(634)
Principal paid on capital debt	(525)	-	-	(218)	(743)
Interest paid on capital debt	(85)	-	-	(32)	(117)
Net cash used for capital and related financing activities	<u>(825)</u>	<u>-</u>	<u>-</u>	<u>(669)</u>	<u>(1,494)</u>
Cash flows from investing activities					
Interest and dividends	1	-	-	-	1
Net cash provided by investing activities	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>
Net increase (decrease) in cash and cash equivalents	(1,053)	-	2	-	(1,051)
Cash and cash equivalents, October 1, 2008	1,053	-	35	8	1,096
Cash and cash equivalents, September 30, 2009	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37</u>	<u>\$ 8</u>	<u>\$ 45</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (188)	\$ (40)	\$ 496	\$ 873	\$ 1,141
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	485	-	-	700	1,185
Change in assets and liabilities:					
Receivables and due from (to) other funds	-	-	(4,080)	(1,798)	(5,878)
Inventories	-	-	-	23	23
Other current assets	-	-	-	(14)	(14)
Accounts and other payables	(526)	(48)	3,586	885	3,897
Net cash provided by (used for) operating activities	<u>\$ (229)</u>	<u>\$ (88)</u>	<u>\$ 2</u>	<u>\$ 669</u>	<u>\$ 354</u>

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COMPONENT UNITS

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Comprehensive Annual Financial Report

CHEROKEE NATION

COMBINING STATEMENT OF NET ASSETS - CHEROKEE NATION BUSINESSES, LLC
 SEPTEMBER 30, 2009
 (Dollars in Thousands)

	Cherokee Nation Businesses, LLC (CNB)	Cherokee Nation Entertainment, LLC (CNE)	Cherokee Services Group, LLC (CSG)	Cherokee Nation Technologies, LLC (CNT)	Cherokee Nation Industries, LLC (CNI)	Eliminations	Total
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 3,681	\$ 32,900	\$ 781	\$ 110	\$ 6,407	\$ -	\$ 43,879
Restricted cash	-	11,062	-	-	-	-	11,062
Investments	-	3,736	-	-	-	-	3,736
Receivables, net	1,333	5,418	1,599	150	13,265	(676)	21,089
Inventories	-	3,631	-	28	10,438	-	14,097
Notes receivable	17	-	-	-	-	-	17
Other current assets	19	3,057	17	13	179	-	3,285
Total current assets	5,050	59,804	2,397	301	30,289	(676)	97,165
Notes receivable	33,668	-	-	-	-	(32,308)	1,360
Other assets	1,044	-	2,157	401	284	-	3,886
Investment in partnerships/joint ventures	3,309	-	-	-	-	-	3,309
Capital assets, net	845	416,243	-	56	6,358	-	423,502
Total noncurrent assets	38,866	416,243	2,157	457	6,642	(32,308)	432,057
Total assets	43,916	476,047	4,554	758	36,931	(32,984)	529,222
LIABILITIES							
Current liabilities:							
Accounts payable and accrued liabilities	843	60,198	1,777	191	12,629	-	75,638
Current portion of long-term debt	-	-	-	-	125	-	125
Due to primary government	52	2,800	-	-	-	-	2,852
Due to other component units	-	-	674	2	-	(676)	-
Deferred revenue	119	-	-	14	-	-	133
Total current liabilities	1,014	62,998	2,451	207	12,754	(676)	78,748
Long-term debt	40,000	28,308	-	-	4,070	(32,308)	40,070
Total liabilities	41,014	91,306	2,451	207	16,824	(32,984)	118,818
NET ASSETS							
Invested in capital assets, net of related debt	845	370,540	-	56	6,358	-	377,799
Restricted for:							
Construction	-	12,819	-	-	-	-	12,819
Unrestricted net assets	2,057	1,382	2,103	495	13,749	-	19,786
Total net assets	\$ 2,902	\$ 384,741	\$ 2,103	\$ 551	\$ 20,107	\$ -	\$ 410,404

CHEROKEE NATION

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS (DEFICIT) -
CHEROKEE NATION BUSINESSES, LLC
FOR THE YEAR ENDED SEPTEMBER 30, 2009
(Dollars in Thousands)**

	Cherokee Nation Businesses, LLC (CNB)	Cherokee Nation Entertainment, LLC (CNE)	Cherokee Services Group, LLC (CSG)	Cherokee Nation Technologies, LLC (CNT)	Cherokee Nation Industries, LLC (CNI)	Eliminations	Total
Operating revenues:							
Charges for services and goods	\$ 4,091	\$ 442,347	\$ 2,128	\$ 114	\$ 89,065	\$ (4,026)	\$ 533,719
Gain on investments in joint ventures	423	-	-	-	-	-	423
Total operating revenues	4,514	442,347	2,128	114	89,065	(4,026)	534,142
Operating expenses:							
Cost of sales/operations	-	89,613	-	24	45,127	-	134,764
Salaries and wages	5,084	137,155	2,013	88	37,034	-	181,374
Other services and charges	2,656	95,635	139	18	8,191	(4,026)	102,613
Depreciation and amortization	168	28,290	8	3	819	-	29,288
Total operating expenses	7,908	350,693	2,160	133	91,171	(4,026)	448,039
Operating income (loss)	(3,394)	91,654	(32)	(19)	(2,106)	-	86,103
Nonoperating revenues (expenses)							
Interest/investment income	967	271	-	-	56	(856)	438
Interest expense	(904)	(760)	-	-	(96)	856	(904)
Other, net	-	(3,017)	-	-	(27)	-	(3,044)
Net nonoperating revenues (expenses)	63	(3,506)	-	-	(67)	-	(3,510)
Net Income (loss)	(3,331)	88,148	(32)	(19)	(2,173)	-	82,593
Dividends to primary government	-	(26,444)	-	-	-	-	(26,444)
Transfers to (from) component unit	2,547	(7,607)	2,225	570	2,265	-	-
Capital grants	(4,824)	(569)	-	-	-	-	(5,393)
Change in net assets	(5,608)	53,528	2,193	551	92	-	50,756
Net assets, beginning of year	8,510	331,213	(90)	-	20,015	-	359,648
Net assets, end of year	\$ 2,902	\$ 384,741	\$ 2,103	\$ 551	\$ 20,107	\$ -	\$ 410,404



BUDGETARY INFORMATION

GWYD DBP

CHEROKEE NATION[®]

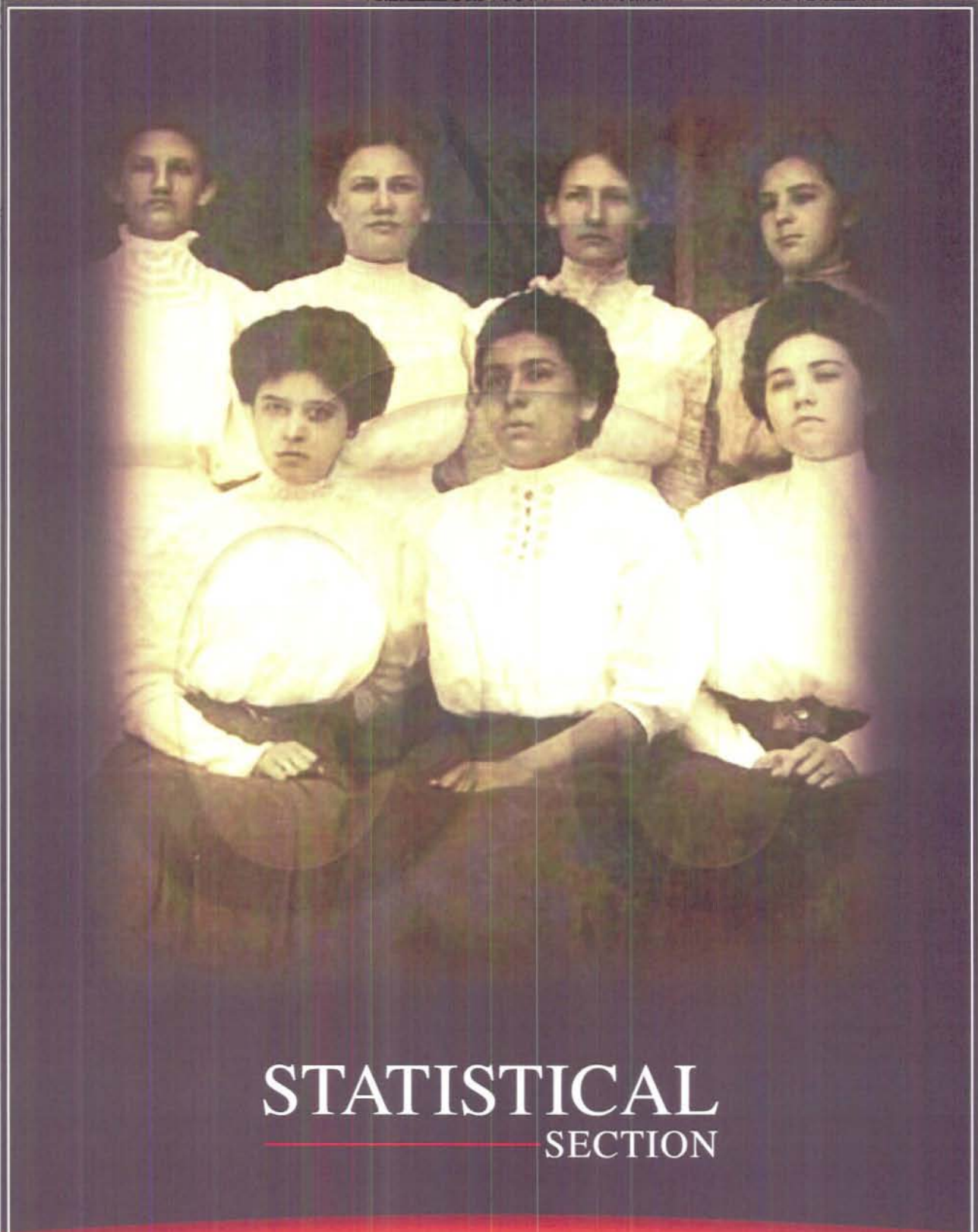
Comprehensive Annual Financial Report

CHEROKEE NATION

**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -
BUDGET AND ACTUAL (GAAP BASIS) - ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009
(Dollars in Thousands)**

	Budgeted Amounts		Actual	Variance with Final Budget over/(under)
	Original	Final		
Operating revenues:				
Property rentals	\$ 501	\$ 501	\$ 510	\$ 9
Other	121	121	41	(80)
Total operating revenues	622	622	551	(71)
Operating expenses:				
Salaries and wages	37	37	37	-
Other services and charges	386	984	345	(639)
Materials and supplies	1	1	16	15
Depreciation and amortization	55	55	51	(4)
Total operating expenses	479	1,077	449	(628)
Operating income (loss)	143	(455)	102	557
Nonoperating revenues(expenses):				
Interest income	1,806	1,008	970	(38)
Interest expense	(1,765)	(931)	(844)	87
Net nonoperating revenue (expenses)	41	77	126	49
Income (loss) before transfers	184	(378)	228	606
Transfers in	2,065	5,372	947	(4,425)
Transfers out	-	(607)	(590)	(17)
Changes in net assets	2,249	4,387	585	(3,802)
Total net assets - beginning	2,600	2,600	2,600	-
Total net assets - ending	\$ 4,849	\$ 6,987	3,185	\$ (3,802)
Adjustment to reflect the consolidation of Internal Service Funds activities related to Enterprise Funds			(62)	
Net assets of Enterprise Funds			\$ 3,123	

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STATISTICAL SECTION

GW29 D3P

CHEROKEE NATION®

Comprehensive Annual Financial Report

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 Information** – Demographic and economic indicators to enable users to understand the environment in which the government operates.
- **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 34 in 2002; schedules presenting government-wide information include information beginning in that year.

CHEROKEE NATION

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

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Governmental Activities										
Invested in capital assets, net of related debt	\$ 39,942	\$ 42,927	\$ 26,714	\$ 25,655	\$ 29,403	\$ 35,969	\$ 47,627	\$ 53,781	\$ 62,021	\$ 74,152
Restricted	30,023	42,406	41,483	20,421	20,691	16,822	23,250	26,278	36,739	61,015
Unrestricted	2,498	(2,883)	1,133	53,444	65,566	66,627	69,039	83,373	87,255	68,411
Total governmental activities net assets	<u>72,463</u>	<u>82,450</u>	<u>69,330</u>	<u>99,520</u>	<u>115,660</u>	<u>119,418</u>	<u>139,916</u>	<u>163,432</u>	<u>186,015</u>	<u>203,578</u>
Business-type activities										
Invested in capital assets, net of related debt	3,406	3,289	3,460	4,839	4,388	5,519	4,653	162	204	253
Restricted	-	-	414	-	-	-	-	-	310	398
Unrestricted	(2,152)	(1,436)	361	(372)	(685)	(361)	420	1,072	2,029	2,478
Total business-type activities net assets	<u>1,254</u>	<u>1,853</u>	<u>4,235</u>	<u>4,467</u>	<u>3,703</u>	<u>5,158</u>	<u>5,073</u>	<u>1,234</u>	<u>2,543</u>	<u>3,129</u>
Primary government										
Invested in capital assets, net of related debt	43,348	46,216	30,174	30,494	33,791	41,488	52,280	53,943	62,225	74,405
Restricted	30,023	42,406	41,897	20,421	20,691	16,822	23,250	26,278	37,049	61,413
Unrestricted	346	(4,319)	1,494	53,072	64,881	66,266	69,459	84,445	89,284	70,889
Total primary government net assets	<u>\$ 73,717</u>	<u>\$ 84,303</u>	<u>\$ 73,565</u>	<u>\$ 103,987</u>	<u>\$ 119,363</u>	<u>\$ 124,576</u>	<u>\$ 144,989</u>	<u>\$ 164,666</u>	<u>\$ 188,558</u>	<u>\$ 206,707</u>

2002 through 2009 revenues are not comparable to 2001 and prior years due to the adoption of GASB 34.

CHEROKEE NATION

CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS (Dollars in Thousands)
(accrual basis of accounting)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Expenses										
Governmental activities:										
Tribal Government	\$ 10,334	\$ 15,960	\$ 9,373	\$ 12,075	\$ 13,627	\$ 17,023	\$ 16,433	\$ 21,624	\$ 24,639	\$ 29,323
Health Services	41,492	45,889	62,235	67,356	74,995	79,344	87,061	92,163	103,177	179,806
Education Services	7,658	8,131	29,120	32,423	32,901	33,429	36,588	39,096	40,365	46,200
Human Services	18,600	25,001	25,203	24,671	24,160	24,824	27,307	28,962	37,003	36,231
Community Services	-	-	45,478	51,252	35,163	35,060	42,867	49,131	51,693	72,334
Other Tribal Services	35,290	53,134	5,431	8,750	11,193	10,623	12,712	15,650	15,033	-
Interest on long-term debt	299	299	235	889	970	1,651	1,975	3,044	1,503	1,525
Total governmental activities expenses	113,683	148,414	177,075	197,216	193,009	201,954	224,943	249,670	273,413	365,419
Business-type activities:										
Title VI	-	-	-	-	-	-	-	-	1,458	826
Tsa-La-Gi Apartments	347	407	418	359	356	352	390	388	394	393
Cherokee Trails Golf Club	187	153	170	192	39	-	-	-	-	-
Landfill Operations	887	795	1,459	1,982	1,917	2,252	1,794	2,853	2,292	-
EDTA	-	-	-	-	-	127	182	139	373	73
Ranch Operations	161	199	169	52	6	-	-	-	-	-
Child Development	-	884	1,091	1,358	1,235	1,048	-	-	-	-
Other Enterprises	198	2	3	1	-	15	7	18	0	-
Total business-type activities expenses	1,780	2,440	3,310	3,944	3,553	3,794	2,373	3,398	4,517	1,292
Total primary government expenses	\$ 115,463	\$ 150,854	\$ 180,385	\$ 201,160	\$ 196,562	\$ 205,748	\$ 227,316	\$ 253,068	\$ 277,930	\$ 366,711
Program Revenues										
Governmental activities:										
Charges for services:										
Tribal Government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4	\$ -	\$ 640
Health Services	-	-	-	-	-	-	52,274	-	-	52,274
Community Services	-	-	-	-	-	-	-	-	1,120	4,054
Other Tribal Services	2,119	1,730	451	405	1,237	2,001	2,572	2,938	3,300	-
Operating grants and contributions	91,174	120,105	103,642	113,394	100,209	104,278	108,177	128,822	127,323	258,558
Capital grants and contributions	-	-	-	-	-	-	411	142	86	1,994
Total governmental activities program revenues	93,293	121,835	104,093	113,799	101,448	106,279	163,434	131,906	131,829	317,520
Business-type activities:										
Charges for services:										
Title VI	-	-	-	-	-	-	-	-	1,303	816
Tsa-La-Gi Apartments	344	345	392	384	437	475	492	498	525	519
Cherokee Trails Golf Club	147	103	84	70	6	-	-	-	-	-
Landfill Operations	1,277	1,483	2,327	2,109	1,355	1,937	1,216	2,044	1,126	-
EDTA	-	-	-	-	-	14	23	13	195	168
Ranch Operations	146	184	165	32	-	-	-	-	-	-
Child Development Centers	-	430	1,118	1,354	1,237	766	-	-	-	-
Other Enterprises	92	14	11	12	10	-	6	7	-	-
Operating grants and contributions	-	-	-	-	-	104	119	-	-	-
Total business-type activities program revenues	2,006	2,559	4,097	3,961	3,045	3,296	1,856	2,562	3,149	1,503
Total primary government program revenues	\$ 95,299	\$ 124,394	\$ 108,190	\$ 117,760	\$ 104,491	\$ 109,575	\$ 165,290	\$ 134,468	\$ 134,978	\$ 319,023
Net (Expense)/Revenue										
Governmental activities	\$ (20,390)	\$ (26,579)	\$ (72,982)	\$ (83,417)	\$ (91,563)	\$ (95,675)	\$ (61,509)	\$ (117,764)	\$ (141,584)	\$ (47,899)
Business-type activities	226	119	787	17	(508)	(498)	(517)	(836)	(1,368)	211
Total primary government net expense	\$ (20,164)	\$ (26,460)	\$ (72,195)	\$ (83,400)	\$ (92,071)	\$ (96,173)	\$ (62,026)	\$ (118,600)	\$ (142,952)	\$ (47,688)
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Motor fuel tax	7,118	6,895	7,294	7,468	7,576	8,094	7,406	7,228	7,088	7,514
Motor vehicle tax	-	-	3,342	4,961	5,929	6,382	7,188	7,658	8,161	7,400
Tobacco tax	1,527	1,668	1,890	2,052	2,142	3,133	7,063	6,956	6,254	5,312
Gaming tax and licenses	378	348	480	511	262	-	-	-	-	-
Sales tax	35	46	75	310	249	688	1,144	1,215	1,208	1,610
Grants and contributions not restricted to specific programs	-	-	58,236	66,249	65,223	62,015	78,849	76,989	100,355	10,398
Unrestricted investment earnings	2,538	3,256	1,793	1,563	3,011	5,941	7,631	7,631	5,439	2,293
Indirect cost settlement	-	4,377	254	646	11,634	-	-	-	-	-
Dividends from component units	4,100	4,300	4,050	8,725	11,717	17,919	25,444	33,669	35,001	26,444
Arkansas River Drybed Lands Settlement	-	-	-	20,000	-	-	-	-	-	-
Miscellaneous revenue	4,929	5,081	634	1,144	1,232	898	1,199	1,375	2,222	4,848
Equity interest in joint venture	-	-	-	-	-	184	-	-	-	-
Gain/(loss) on disposals	-	-	-	-	1	-	-	-	-	-
Transfers	-	(454)	(1,589)	(122)	150	(2,889)	43	(1,441)	(1,561)	(357)
Total governmental activities	20,625	25,517	76,459	113,607	107,703	99,433	134,277	141,280	164,167	65,462
Business-type activities:										
Unrestricted investment earnings	73	26	6	61	19	52	334	393	72	18
Miscellaneous revenue	-	-	-	-	-	-	69	81	-	-
Gain/(loss) on disposals	-	-	-	32	(125)	-	72	-	1,044	-
Special item	-	-	-	-	-	-	-	(4,918)	-	-
Transfers	-	454	1,589	122	(150)	1,901	(43)	1,441	1,561	357
Total business-type activities	73	480	1,595	215	(256)	1,953	432	(3,003)	2,677	375
Total primary government	\$ 20,698	\$ 25,997	\$ 78,054	\$ 113,822	\$ 107,447	\$ 101,386	\$ 134,709	\$ 138,277	\$ 166,844	\$ 65,837
Change in Net Assets										
Governmental activities	\$ 235	\$ (1,002)	\$ 3,477	\$ 30,190	\$ 16,140	\$ 3,758	\$ 72,768	\$ 23,516	\$ 22,583	\$ 17,563
Business-type activities	299	599	2,362	232	(764)	1,455	(85)	(3,839)	1,309	586
Total primary government	\$ 534	\$ (403)	\$ 5,839	\$ 30,422	\$ 15,376	\$ 5,213	\$ 72,683	\$ 19,677	\$ 23,892	\$ 18,149

2002 through 2009 revenues are not comparable to 2001 and prior years due to the adoption of GASB 34.

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>
2009	\$ 7,514	\$ 7,400	\$ 5,312	\$ 1,610	\$ 21,836
2008	7,088	8,161	6,254	1,208	22,711
2007	7,228	7,658	6,956	1,215	23,057
2006	7,406	7,188	7,063	1,144	22,801
2005	8,094	6,382	3,133	686	18,295
2004	7,576	5,929	2,142	249	15,896
2003	7,468	4,961	2,052	310	14,791
2002	7,294	3,342	1,890	75	12,601
2001	6,895	-	1,668	46	8,609
2000	7,118	-	1,527	35	8,680

2002 through 2009 revenues are not comparable to 2001 and prior years due to the adoption of GASB 34.

CHEROKEE NATION

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

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Fund										
Reserved	\$ 13,211	\$ 21,924	\$ 25,781	\$ 30,535	\$ 33,287	\$ 34,792	\$ 36,282	\$ 42,220	\$ 50,241	\$ 46,895
Unreserved	2,498	(2,883)	1,501	4,638	10,726	24,175	36,576	38,861	34,652	21,674
Total general fund	<u>\$ 15,709</u>	<u>\$ 19,041</u>	<u>\$ 27,282</u>	<u>\$ 35,173</u>	<u>\$ 44,013</u>	<u>\$ 58,967</u>	<u>\$ 72,858</u>	<u>\$ 81,081</u>	<u>\$ 84,893</u>	<u>\$ 68,569</u>
All Other Governmental Funds										
Reserved	\$ 16,812	\$ 20,482	\$ 15,702	\$ 16,696	\$ 21,372	\$ 21,696	\$ 24,572	\$ 41,018	\$ 32,896	\$ 59,642
Unreserved, reported in:										
Special revenue funds	-	-	-	-	583	583	-	-	-	-
Capital projects fund	-	-	-	-	-	-	(524)	-	-	-
Total all other governmental funds	<u>\$ 16,812</u>	<u>\$ 20,482</u>	<u>\$ 15,702</u>	<u>\$ 16,696</u>	<u>\$ 21,955</u>	<u>\$ 22,279</u>	<u>\$ 24,048</u>	<u>\$ 41,018</u>	<u>\$ 32,896</u>	<u>\$ 59,642</u>

2002 through 2009 revenues are not comparable to 2001 and prior years due to the adoption of GASB 34.

CHEROKEE NATION

**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS (Dollars in Thousands)
(modified accrual basis of accounting)**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Revenues										
Intergovernmental	\$ 91,174	\$ 120,105	\$ 151,117	\$ 167,594	\$ 150,516	\$ 147,048	\$ 166,252	\$ 178,508	\$ 203,570	\$ 255,401
Property rentals	1,647	2,279	451	394	585	461	513	575	1,750	4,225
Motor fuel tax revenues	7,118	6,895	7,294	7,468	7,576	8,676	7,406	7,228	7,088	7,514
Tax and license revenues	1,940	2,062	5,788	7,934	9,234	11,741	17,458	18,196	18,292	17,382
Interest	2,611	3,285	2,145	2,320	3,480	5,238	9,651	13,229	7,189	3,013
Trust fund income	11	47	29	24	90	79	104	67	190	100
Indirect cost settlement	-	4,377	254	-	646	8,314	2,201	-	-	-
Dividends from component units	-	-	4,050	8,725	11,717	17,919	25,444	33,669	35,001	26,444
3rd party revenues	-	-	-	-	-	-	-	16,031	17,441	53,868
Income from HACN	-	-	-	-	-	-	-	-	-	5,851
Other	11,533	11,432	11,011	11,773	19,916	27,185	22,202	14,095	7,006	7,546
Total revenues	116,034	150,482	182,139	206,232	203,760	226,661	251,231	281,598	297,527	381,344
Expenditures										
Tribal Government	10,334	15,960	9,964	10,484	13,645	15,956	15,029	21,377	24,679	28,270
Health Services	60,092	70,890	62,822	66,732	73,248	77,829	84,528	94,478	103,009	177,697
Education Services	15,348	16,716	29,463	31,936	32,158	32,567	35,788	39,618	40,561	45,972
Human Services	20,985	37,048	25,269	24,363	23,748	24,516	26,839	29,238	37,290	36,214
Community Services	-	-	41,631	61,537	44,486	46,643	42,420	49,318	57,821	66,138
Other tribal services	50	87	5,309	8,472	9,658	10,834	11,789	15,705	14,640	-
Debt service										
Principal	299	292	313	332	1,272	1,685	3,117	10,912	2,002	5,003
Interest	328	299	71	454	797	1,472	1,819	2,911	908	1,498
Capital outlay	6,326	7,209	5,289	3,017	1,934	9,659	18,162	26,190	15,436	9,958
Total expenditures	113,762	148,501	180,131	207,327	200,946	221,161	239,491	289,747	296,346	370,750
Excess of revenues over (under) expenditures	2,272	1,981	2,008	(1,095)	2,814	5,500	11,740	(8,149)	1,181	10,594
Other Financing Sources (Uses)										
Issuance of long-term debt	-	-	-	10,245	10,189	13,231	4,260	34,660	1,448	-
Fees associated with debt issuance	-	-	-	-	-	-	128	-	-	-
Insurance recoveries	-	-	-	-	-	-	27	8	244	273
Other proceeds	-	-	-	-	976	-	-	-	-	-
Transfers in	9,244	6,869	3,703	1,867	2,163	5,900	17,425	20,637	15,549	9,957
Transfers out	(4,784)	(2,663)	(8,994)	(2,132)	(2,043)	(9,353)	(17,920)	(21,963)	(22,732)	(10,402)
Total other financing sources (uses)	4,460	4,206	(5,291)	9,980	11,285	9,778	3,920	33,342	(5,491)	(172)
Net change in fund balances	\$ 6,732	\$ 6,187	\$ (3,283)	\$ 8,885	\$ 14,099	\$ 15,278	\$ 15,660	\$ 25,193	\$ (4,310)	\$ 10,422
Debt service as a percentage of noncapital expenditures	0.58%	0.42%	0.22%	0.38%	1.04%	1.49%	2.23%	5.24%	1.04%	1.80%

2002 through 2009 revenues are not comparable to 2001 and prior years due to the adoption of GASB 34.

CHEROKEE NATION

GOVERNMENTAL ACTIVITIES - MOTOR VEHICLE TAX RECEIPTS LAST EIGHT FISCAL YEARS

<u>Year</u>	<u>Motor Vehicle Registrations</u>	<u>Boat/ Motor Registrations</u>	<u>Total All Registrations</u>
2009	18,300	593	18,893
2008	21,201	621	21,822
2007	20,548	723	21,271
2006	19,436	570	20,006
2005	17,803	587	18,390
2004	18,396	718	19,114
2003	18,099	671	18,770
2002	18,094	324	18,418

Source: Cherokee Nation Tax Commission

*Note: The Nation did not collect tax before FY 2002, therefore, only eight years of data is currently available.

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 from Components	Indirect Cost Settlement	Miscellaneous	Equity Interest in Joint Venture	Gain/(loss) on disposals	Total
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
2007	5,504	128,822	142	7,228	7,658	8,171	76,989	8,024	33,669	-	1,456	-	-	277,663
2006	4,313	108,296	411	7,406	7,188	8,207	78,849	6,275	25,444	-	1,268	-	72	247,729
2005	5,193	104,382	-	8,094	6,382	3,819	62,015	3,063	17,919	-	898	184	-	211,949
2004	4,282	100,209	-	7,576	5,929	2,653	65,223	1,607	11,717	11,634	1,108	-	-	211,938
2003	4,366	113,394	-	7,468	4,961	2,973	66,249	1,624	8,725	646	1,144	-	-	211,550
2002	4,548	103,642	-	7,294	3,342	2,445	58,236	1,799	4,050	254	634	-	-	186,244
2001	4,289	120,105	-	6,895	-	2,062	-	3,282	4,300	4,377	5,081	-	-	150,391
2000	4,125	91,174	-	7,118	-	1,940	-	2,611	4,100	-	4,929	-	-	115,997

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.

2002 through 2009 revenues are not comparable to 2001 and prior years due to the adoption of GASB 34.

CHEROKEE NATION

**GENERAL GOVERNMENTAL EXPENSES BY FUNCTION (GAAP BASIS)
LAST TEN FISCAL YEARS (Dollars in Thousands)**

Years	Tribal Government	Health Services	Education Services	Human Services	Community Services	Other Tribal Services	Interest on Long Term Debt	Tsa-La-Gi Apartments	Cherokee Trails Golf Club	Landfill Operations	Ranch Operations	EDTA	Childhood Development Center	Title VI	Other Enterprises	Total
2009	\$ 29,323	\$179,806	\$ 46,200	\$36,231	\$ 72,334	\$ -	\$ 1,525	\$ 393	\$ -	\$ -	\$ -	\$ 73	\$ -	\$ 826	\$ -	\$366,711
2008	24,639	103,177	40,365	37,003	51,693	15,033	1,503	394	-	2,292	-	373	-	1,458	-	277,930
2007	21,624	92,163	39,096	28,962	49,131	15,650	3,044	388	-	2,853	-	139	-	-	18	253,068
2006	16,433	87,061	36,588	27,307	42,867	12,712	1,975	390	-	1,794	-	182	-	-	7	227,316
2005	17,023	79,344	33,429	24,824	35,060	10,623	1,651	352	-	2,252	-	1,115	1,048	-	15	206,736
2004	13,627	74,995	32,901	24,160	35,163	11,193	970	356	39	1,917	6	-	1,235	-	-	196,562
2003	12,075	67,356	32,423	24,671	51,252	8,750	689	359	192	1,982	52	-	1,358	-	1	201,160
2002	9,373	62,235	29,120	25,203	45,478	5,431	235	418	170	1,459	169	-	1,091	-	3	180,385
2001	15,960	45,889	8,131	25,001	-	53,134	299	407	153	795	199	-	884	-	2	150,854
2000	10,334	41,492	7,668	18,600	-	35,290	299	347	187	887	161	-	-	-	198	115,463

2002 through 2009 expenses are not comparable to 2001 and prior years due to the adoption of GASB 34.

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			
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
2007	30,000	29,529	225	3,211	209	63,174	2.04%	\$ 572
2006	-	36,258	600	3,352	295	40,505	1.43%	\$ 383
2005	-	35,446	439	1,777	653	38,315	1.48%	\$ 372
2004	-	25,331	523	849	368	27,071	1.12%	\$ 267
2003	-	16,284	-	1,017	458	17,759	0.79%	\$ 178
2002	-	3,514	-	902	298	4,714	0.21%	\$ 47
2001	-	3,547	-	995	411	4,953	0.22%	\$ 48
2000	-	3,839	-	1,092	286	5,217	0.25%	\$ 52

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

2002 through 2009 revenues are not comparable to 2001 and prior years due to the adoption of GASB 34.

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

CHEROKEE NATION

PLEDGED-REVENUE COVERAGE

LAST THREE FISCAL YEARS (Dollars in Thousands)

Fiscal Year	Health Revenue Bonds						
	Beginning	Operating Revenues	Less:	Ending	Debt Service		Coverage
	Fund Balance		Operating Expenses	Fund Balance	Principal	Interest	
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
2007	7,697	74,750	77,258	5,189	-	582	8.92

Note: * Debt service coverage is based upon third party revenue collections generated from Health Care System Operations.

** Bonds were not issued in Prior Fiscal Years, therefore, coverage can only be reported on years after bond issuance.

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>
2009 *	1,144,628	\$ 3,572,586	\$ 30,524	6.9
2008 *	1,134,098	3,392,628	29,350	3.8
2007	1,122,869	3,097,833	28,034	4.3
2006	1,108,570	2,829,313	26,782	4.3
2005	1,094,425	2,584,685	25,116	4.5
2004	1,088,279	2,422,702	23,898	4.8
2003	1,086,370	2,235,993	22,385	5.6
2002	1,082,197	2,216,549	22,184	4.9
2001	1,074,339	2,255,719	22,059	4.0
2000	1,067,979	2,081,419	20,882	3.2

Source: Oklahoma State Data Center - Oklahoma Department of Commerce
County Intercensal Population Estimates: 1990-2007
US Department of Labor: Bureau of Labor Statistics Data

Notes:

- * Estimate projected based on previous trends by Cherokee Nation Financial Resources Group
- ** Population data for Counties within the Cherokee Nation Jurisdictional Boundaries
- *** Personal Income information
- **** Per each one 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

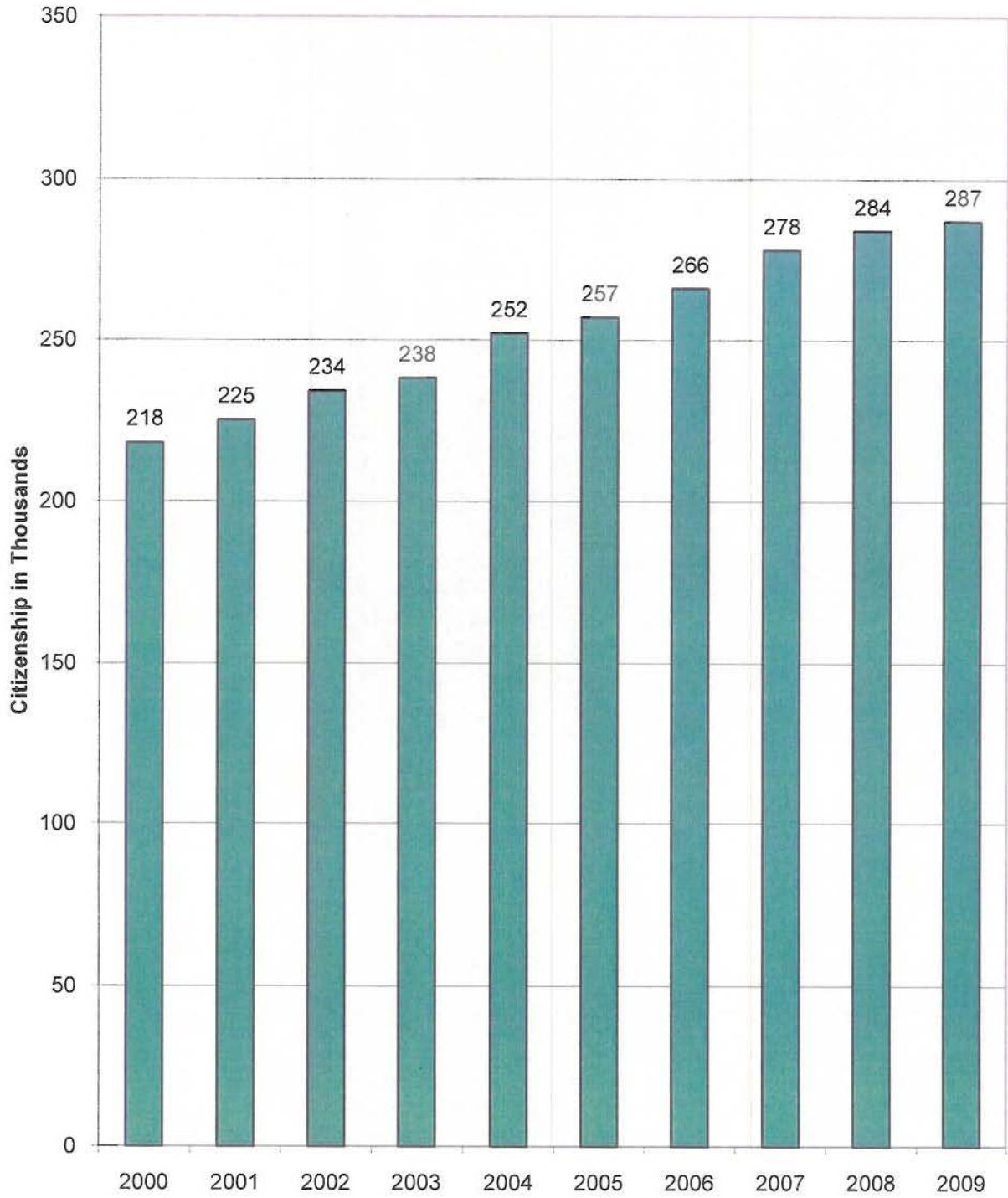
PRINCIPAL EMPLOYERS CURRENT YEAR

Employer	2009		
	Employees	Rank	Percentage of Total Employment
American Airlines & AA	7,000	2	11.94%
Cherokee Nation	5,900	3	10.06%
Claremore City Schools	600	8	1.02%
Conoco Phillips	3,750	4	6.39%
Labinal Inc	600	9	1.02%
NORDAM Group Inc	1,900	5	3.24%
Northeastern Oklahoma State University	1,600	6	2.73%
State of Oklahoma	36,000	1	61.38%
Tahlequah School District	600	10	1.02%
Verizon (formerly MCI)	700	7	1.19%
	<u>58,650</u>		<u>100%</u>

Source: Oklahoma Department of Commerce

Note: Prior years data is not available at this time.

CHEROKEE NATION
Tribal Citizenship Growth



Source: Tribal Registration Department

CHEROKEE NATION

TRIBAL CITIZENSHIP BY DISTRICT LAST TEN FISCAL YEARS

District	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Cherokee	13,019	13,442	13,909	14,610	15,218	15,706	16,116	16,759	17,242	17,603
Craig	5,620	5,802	5,933	6,140	6,434	6,626	6,868	6,998	7,086	7,137
Delaware	10,698	10,992	11,311	11,693	12,189	12,565	12,879	13,117	10,098	10,317
Keeler	10,156	10,533	10,907	11,446	12,074	12,479	13,158	13,527	13,834	13,991
Mayes	8,493	8,815	9,091	9,575	10,025	10,360	10,605	10,922	11,113	11,231
Sequoyah	10,446	10,784	11,095	11,525	11,986	12,274	12,591	12,868	13,088	13,247
Three Rivers	12,078	12,534	12,962	13,577	14,142	14,510	15,021	15,336	15,564	15,710
Trail of Tears	9,250	9,521	9,795	10,294	10,737	11,083	11,376	11,666	12,054	12,286
Will Rogers	8,479	8,741	8,993	9,350	9,868	10,259	10,666	11,009	8,105	8,396
Other	129,315	134,123	139,688	139,950	149,016	150,681	157,181	166,089	176,229	178,051
Total Citizenship	217,554	225,287	233,684	238,160	251,689	256,543	266,461	278,291	284,413	287,969

CHEROKEE NATION

TRIBAL LAND BASE (ACRES) BY COUNTY AS OF SEPTEMBER 30, 2008

County	Tribal Land	Government Land	Restricted Individual	Total Acres
<u>Cherokee Nation:</u>				
Oklahoma:				
Adair	14,519	19	10,411	24,949
Cherokee	1,613	325	9,439	11,376
Craig	327	-	1,843	2,170
Delaware	24,185	10	6,503	30,698
McIntosh	-	-	596	596
Mayes	373	10	5,364	5,747
Muskogee	500	-	2,342	2,842
Nowata	31	-	610	641
Ottawa	-	-	79	79
Rogers	536	10	801	1,347
Sequoyah	2,736	46	5,623	8,405
Tulsa	47	-	204	251
Wagoner	-	-	225	225
Washington	-	-	1,719	1,719
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
Total	<u>64,586</u>	<u>419</u>	<u>45,759</u>	<u>110,764</u>

Source: Cherokee Nation Land Department

CHEROKEE NATION

PRIMARY GOVERNMENT EMPLOYEES BY FUNCTION

LAST TEN FISCAL YEARS

Regular full-time employees only

Function:	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Tribal Government	192	211	246	277	232	230	230	238	259	528
Health Services	449	484	572	579	629	627	639	640	726	924
Education Services	248	266	316	344	393	399	391	387	408	427
Human Services	150	170	206	222	234	251	249	276	291	304
Community Services	186	218	191	120	128	127	182	163	329	362
Other Tribal Services	133	158	178	195	213	236	226	243	241	-
Total	<u>1,358</u>	<u>1,507</u>	<u>1,709</u>	<u>1,737</u>	<u>1,829</u>	<u>1,870</u>	<u>1,917</u>	<u>1,947</u>	<u>2,254</u>	<u>2,545</u>

Source: Financial Resources

CHEROKEE NATION

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

Function/Program	2003	2004	2005	2006	2007	2008	2009
Health Services							
Primary provider visits*	122,570	109,379	117,270	121,650	119,358	124,824	268,238
Dental patient visits	24,519	25,482	22,199	21,436	23,050	21,543	37,786
Behavioral health patient visits	8,424	10,148	9,895	9,969	10,322	11,284	16,222
Optometry patient visits	12,802	13,700	13,472	14,259	14,548	15,808	23,031
Pharmacy patient visits	54,585	61,225	69,151	70,937	74,976	79,487	119,075
Other visits**	56,451	72,775	77,307	80,133	76,259	71,820	124,490
Pharmacy prescription filled	386,420	410,909	461,409	474,299	500,675	501,601	672,905
Number of new charts	8,139	8,407	7,166	7,074	6,659	7,615	11,605
Total number of charts	130,049	139,066	149,861	159,128	168,467	179,416	342,148
*Primary provider visits include physician, physician's assistant, nurse practitioner							
** Other visits include: PHN, WIC, education, dietary, laboratory services							
Education Services							
Higher Education applications received	2,140	2,376	2,708	2,569	2,193	2,304	2,512
Higher Education applications funded	1,900	2,085	2,236	2,164	2,095	2,108	2,141
Head Start students	270	260	284	317	838	355	328
Immersion Class students	-	-	-	25	42	30	49
Sequoyah High School students	360	372	382	400	381	383	394
Human Services							
Child Care children served through subsidy	3,869	3,742	3,606	3,708	3,649	3,854	4,537
Child Care contracted providers	1,019	1,075	994	915	801	729	636
Child Care technical assistance calls and visits	5,803	3,083	1,397	1,358	2,178	3,053	5,614
Child Care monitoring visits to caregivers	1,145	1,092	1,122	1,236	1,124	1,124	957
Food Distribution - individuals served	140,150	139,588	131,970	111,139	105,768	114,305	130,253
Food Distribution - households served	51,327	52,768	50,892	44,863	43,237	46,049	51,716
Tribal Work Experience program participants	219	308	313	192	13	-	-
Elder Service Advocacy individuals served	1,170	1,236	1,192	1,353	1,431	1,064	642
Community Services							
Roads/bridges project miles completed	64.20	97.24	96.01	101.72	66.12	128.7	58.22
Families served through rental assistance	n/a	n/a	2,121	3,695	2,927	2,578	1,546
Families subsidized in Title VI units	n/a	n/a	317	345	-	305	295
Rehabilitation of privately owned homes	n/a	n/a	89	119	305	565	209
Acquired or constructed individual homes for low-income families	n/a	n/a	34	31	1	13	12
Businesses funded through Commerce programs	n/a	n/a	4	6	7	12	21
Participants enrollments in IDA/YIDA	n/a	n/a	30	28	42	24	30

Source: Departments/programs as listed

Note: Operating indicators are not available for years prior to 2003

CHEROKEE NATION

**CAPITAL ASSET UTILIZATION BY FUNCTION
PRIMARY GOVERNMENT
LAST SEVEN FISCAL YEARS
(Net of Depreciation, Dollars in Thousands)**

	2003	2004	2005	2006	2007	2008	2009
Governmental activities:							
Tribal Government	\$ 2,232	\$ 3,068	\$ 2,520	\$ 2,969	\$ 2,424	\$ 3,013	\$ 41,269
Health Services	1,911	1,847	2,197	12,883 *	33,898	41,238	45,261
Education Services	619	578	1,098	8,246 *	8,885	9,479	9,622
Human Services	534	436	328	242	396	571	902
Community Services	834	842	1,035	1,384	2,189	3,264	2,715
Other Tribal Services	25,564	27,984	33,620	30,719	32,502	37,251	-
Governmental activities, net	<u>\$ 31,694</u>	<u>\$ 34,755</u>	<u>\$ 40,798</u>	<u>\$ 56,443</u>	<u>\$ 80,294</u>	<u>\$ 94,816</u>	<u>\$ 99,769</u>
Business -type activities:							
Enterprise Funds	\$ 6,314	\$ 5,605	\$ 6,851	\$ 6,761	\$ 900 *	\$ 599	\$ 548
Business-type activities, net	<u>\$ 6,314</u>	<u>\$ 5,605</u>	<u>\$ 6,851</u>	<u>\$ 6,761</u>	<u>\$ 900</u>	<u>\$ 599</u>	<u>\$ 548</u>

*In FY 2006, Health Services and Education Services increased due to construction projects

*In the FY 2007 CAFR, Enterprise fund decreased due to impairment of assets (see note 13).

Note: Information prior to FY 2003 is not available for comparison.

CHEROKEE NATION

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

District	2002	2003	2004	2005	2006	2007	2008	2009
Cherokee	3,847	3,814	3,976	4,071	4,097	4,079	4,357	4,421
Craig	1,089	1,211	1,257	1,334	1,342	1,296	1,334	1,361
Delaware	2,281	2,218	2,236	2,205	2,311	2,315	2,302	2,310
Keeler	1,330	1,483	1,618	1,882	1,862	1,785	1,801	1,916
Mayes	1,685	1,758	1,906	1,896	2,020	2,062	2,152	2,126
Sequoyah	1,939	2,022	2,053	2,033	2,067	2,031	2,124	2,101
Three Rivers	1,999	2,152	2,225	2,318	2,468	2,569	2,680	2,713
Trail of Tears	1,953	1,992	2,073	2,108	2,151	2,261	2,260	2,403
Will Rogers	1,795	2,030	2,177	2,351	2,368	2,324	2,246	2,303
Total Cherokee Students	17,918	18,680	19,521	20,198	20,686	20,722	21,256	21,654

* MVT apportionments began in FY 2002, so only able to show data from FY 2002 to present. 10 Years worth of data is not available at this time.

Source: MVT apportionment

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