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CHEROKEE NATION®

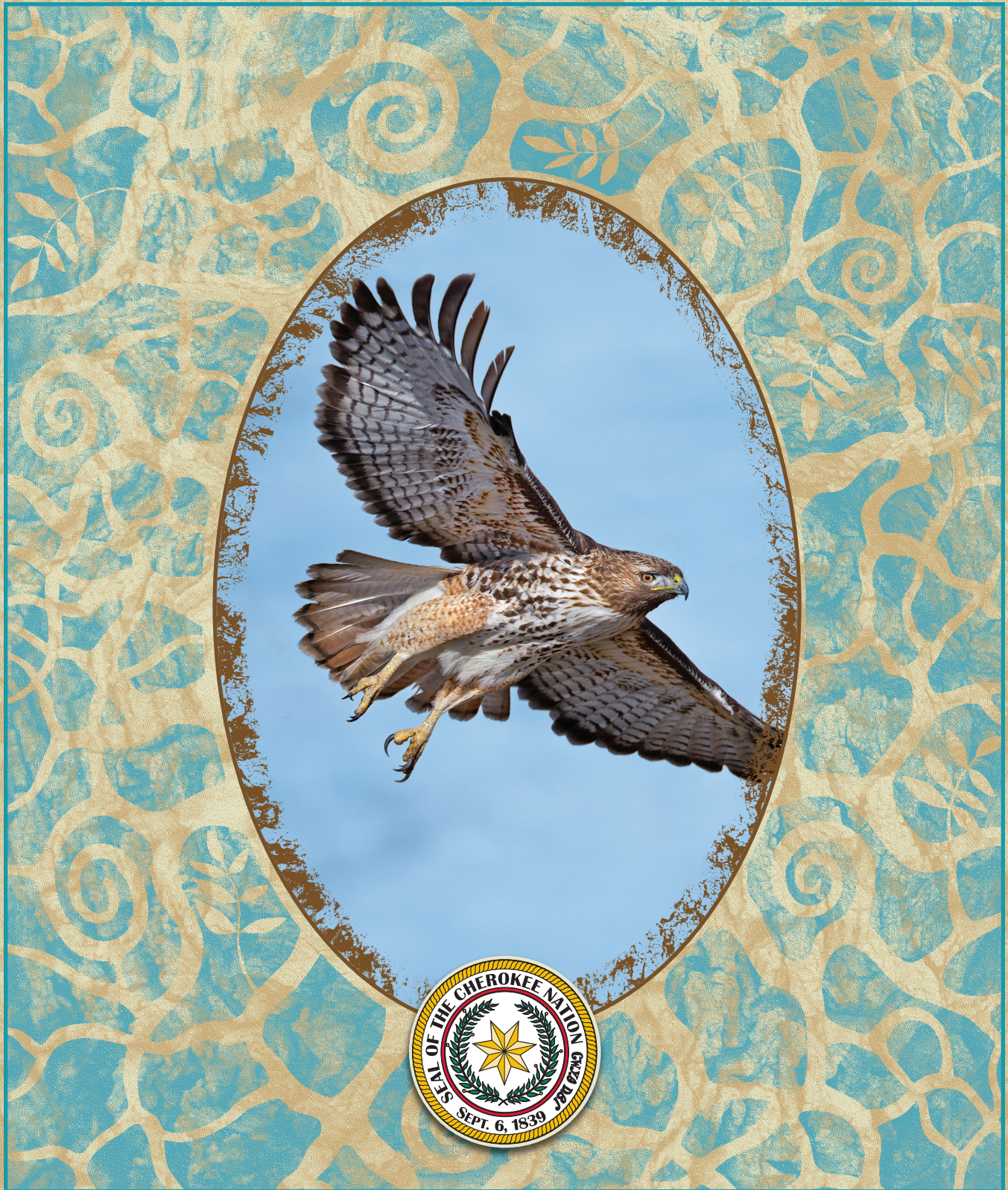
Tahlequah, Oklahoma



Comprehensive Annual  
Financial Report

Fiscal Year Ended September 30, 2016





DSW KᏍᏅᏍᏓ • We Watch Over the Money

# 2016 COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ending September 30, 2016

PREPARED BY THE FINANCIAL RESOURCES DEPARTMENT  
CHEROKEE NATION | TAHLEQUAH, OKLAHOMA

CHEROKEE NATION  
 Comprehensive Annual Financial Report  
 For the Year Ended September 30, 2016

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*Our Nation's Natural Resources*



*Bald Eagle Release*



SECTION I  
**INTRODUCTION**

2016 COMPREHENSIVE ANNUAL FINANCIAL REPORT



March 30, 2017

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

We, the Cherokee Nation Financial Resources Department (Financial Resources), are pleased to submit the Comprehensive Annual Financial Report of the Cherokee Nation (the Nation) for the fiscal year ended September 30, 2016. Accountability for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Nation. We believe the data presented is accurate in all material aspects, and fairly presents the financial position and activities as of and for the year ended September 30, 2016.

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

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

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

### ***Organization of the Government***

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

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

#### ***Executive Branch***

The executive power of the Cherokee Nation is vested in the Principal Chief, currently Bill John Baker. The Deputy Principal Chief, currently S. Joe Crittenden, aids and advises the Principal Chief in the

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

The Executive Branch of the Nation is organized with the Principal Chief and the Deputy Principal Chief serving as the final authorities of the administrative operations of the Nation. The Constitution provides for a three member Cabinet: the Treasurer, the Secretary of State and the Secretary of Natural Resources. The Treasurer, currently Lacey A. Horn, provides oversight and direction for the Nation on all financial matters, including annual budgets, investment of funds, and financial reporting in conformance with Generally Accepted Accounting Principles (GAAP). The Secretary of State, currently Chuck Hoskin, Jr., is responsible for a variety of governmental functions including but not limited to the certification of petitions, referring amendments of the constitution to the people, and receipt of petitions, orders for initiatives, and oaths of office. The Secretary of Natural Resources, currently Sara Hill, advises the Chief on natural resource issues and works to advance the Nation's top environmental strategic priorities.

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

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

#### *Legislative Branch*

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

#### *Judicial Branch*

The Judicial Branch consists of the Supreme Court and the Cherokee Nation District Court. Supreme Court Justices are appointed by the Principal Chief and confirmed by the Tribal Council. The Chief Justice currently is John C. Garrett. The primary responsibility of the Justices is to hear and resolve any disagreements arising under the provisions of the Constitution or any enactment of the Tribal Council. The District Court system hears all cases brought before it under jurisdiction of the Cherokee Nation Code Annotated, Title 20, Courts.

#### *Reporting Entity*

The Nation determines its financial reporting entity in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB

Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34* and, based on that criterion, has included the following entities as component units within the Nation's basic financial statements.

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

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

### ***Internal Controls***

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

### ***Single Audit***

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

As a part of the Nation's single audit, tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine that the Nation has complied with applicable laws and regulations. The results of the Nation's single audit process for the fiscal year ended September 30, 2016, will be included in a separately issued Single Audit Report.

### ***Budgetary Process***

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



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

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

### ***Long-Term Financial Planning***

Since fiscal year 2007, the Cherokee Nation primary government has increased its total assets by approximately \$997.9 million or 272.2%. The Nation's long-term financial planning process involves a dedicated budgeting process that ensures discretionary resources are used to support the vision of the Nation: "Homes, Health, Hope". This planning process encompasses the annual financial budget process as well as long-term forecasting for use of the Nation's resources. Additionally, new ideas and efficiencies are continually being incorporated to further advance the Nation's initiatives which include greater emphasis on housing, health care, careers and education.

Through expansion of its component units, the Nation works to establish a productive, sustainable economy for the citizens of the Nation. In addition to creating greater opportunities through its component units, the Nation has been successful in partnering with outside entities to attract new industries and create jobs within the Nation's jurisdiction. Through a collaborative partnership with CNB that began in 2013, the Nation continues to improve access to health care through the construction of new or expanded health care facilities by way of a \$108 million capital investment.

### ***Use of the Report***

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

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

### *Certificate of Achievement*

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to Cherokee Nation for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2015. This was the fifteenth consecutive year that the Nation has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both GAAP and applicable legal requirements.

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

### *Acknowledgements*

The preparation of the 2016 CAFR was a tremendously involved task requiring the professional skills of the entire Financial Resources Department. I would like to express my gratitude to the Financial Resources Department for their dedication and continuous hard work. I would also like to thank BKD, LLP, independent auditors for the Cherokee Nation, for their guidance and technical assistance in completing this CAFR.

Respectfully submitted,

A handwritten signature in cursive script that reads "Lacey A. Horn".

Lacey A. Horn  
Treasurer

# Cherokee Nation Tribal Officials

## EXECUTIVE BRANCH

**Bill John Baker**  
Principal Chief

**S. Joe Crittenden**  
Deputy Principal Chief

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## LEGISLATIVE BRANCH

**Joe Byrd**  
Speaker  
District 2

**Victoria Vazquez**  
Deputy Speaker  
District 11

**Rex Jordan**  
District 1

**David Walkingstick**  
District 3

**Don Garvin**  
District 4

**David Thornton, Sr.**  
District 5

**Bryan Warner**  
District 6

**Frankie Hargis**  
District 7

**Shawn Crittenden**  
District 8

**Curtis Snell**  
District 9

**Harley Buzzard**  
District 10

**Dick Lay**  
District 12

**Buel Anglen**  
District 13

**Keith Austin**  
District 14

**Janees Taylor**  
District 15

**Jack D. Baker**  
At Large

**Wanda Hatfield**  
At Large

---

## JUDICIAL BRANCH

### Supreme Court

**John C. Garrett**  
Chief Justice

**Angela Jones**  
Justice

**James G. Wilcoxon**  
Justice

**Lynn Burris**  
Justice

**Mark L. Dobbins**  
Justice

### District Court

**C. Bart Fite**  
Judge

**Crystal Jackson**  
Judge



# Cherokee Nation Organizational Chart

GW20 DSP  
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Approval:   
 Bill John Baker, Principal Chief  
 Date: 09/30/2016



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Cherokee Nation  
Oklahoma**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2015**

Executive Director/CEO

*Our Nation's Natural Resources*



*White-tailed Deer*



SECTION II  
**FINANCIAL**

2016 COMPREHENSIVE ANNUAL FINANCIAL REPORT

## Independent Auditor's Report

Principal Chief and Tribal Council  
Cherokee Nation  
Tahlequah, Oklahoma

### Report on the Financial Statements

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, 2016, and the related notes to the financial statements, which collectively comprise the Nation's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Housing Authority of the Cherokee Nation (HACN), the Cherokee Nation Comprehensive Care Agency (CNCCA), the Cherokee Health Partners, LLC (CHP), the Cherokee Nation Foundation (CNF) or the Cherokee National Historical Society, Inc. (CNHS), which are discretely presented component units of the Nation. The financial statements of HACN, CNCCA, CHP, CNF and CNHS, which collectively comprise approximately 13.4% of total assets and 3.1% of total operating revenues of the aggregate discretely presented component units, were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for HACN, CNCCA, CHP, CNF and CNHS, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of CHP, CNF and CNHS, component units included in the financial statements of the aggregate discretely presented component units, were not audited in accordance with *Government Auditing Standards*.

Principal Chief and Tribal Council  
Cherokee Nation

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

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

### ***Opinions***

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the Nation as of September 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Principal Chief and Tribal Council  
Cherokee Nation

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Nation's basic financial statements as a whole. The accompanying combining financial statements and budgetary comparisons, listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining financial statements and budgetary comparisons supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Nation's basic financial statements as a whole. The introductory and statistical sections listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2017, on our consideration of the Nation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Nation's internal control over financial reporting and compliance.

**BKD, LLP**

Tulsa, Oklahoma  
March 30, 2017

## 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, 2016. Readers of the Nation's financial statements are encouraged to utilize this information in conjunction with the information provided in the letter of transmittal, which precedes this section, and the accompanying basic financial statements and disclosures following this section.

### *Financial Highlights*

The Nation's assets and deferred outflows of resources exceeded its liabilities at the end of fiscal year 2016 by \$1.1 billion (net position). Of this total amount, \$51.0 million is unrestricted net position that may be used to meet the government's ongoing obligations.

The Nation's overall liabilities at the end of fiscal year 2016 decreased by approximately \$396 thousand to \$246.3 million.

The overall net position increased by \$73.2 million, which is largely attributable to the recognition of income on investment in component units, capital contributions from CNB, dividends from component units and proceeds from a litigation settlement.

The Nation's governmental funds reported total ending fund balance of \$149.0 million at the end of fiscal year 2016. This compares to the prior year ending fund balance of \$147.1 million showing an increase of \$1.9 million during the current year. Unassigned fund balance is \$26.9 million for fiscal year 2016.

At the end of the current fiscal year, unassigned fund balance for the General Fund was \$26.9 million or 26.1% of total General Fund expenditures including transfers out and 24.4% of total General Fund revenues including insurance recoveries and transfers in.

### *Overview of the Financial Statements*

#### *Basic Financial Statements*

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

#### *Government-wide Financial Statements*

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

The *Statement of Net Position* presents the assets, deferred outflows of resources and liabilities for the entire Nation, with the difference between the assets and deferred outflows of resources less liabilities reported as "net position." Increases or decreases in net position over time can serve as an indicator of the improvement or decline in the Nation's financial position.

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

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

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

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

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

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

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

#### *Fund Financial Statements*

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

*Governmental Funds* are used to account for the same governmental functions as reported in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on the near-term inflows and outflows of expendable resources. These fund statements also focus on the balances of expendable resources available at the end of the fiscal year. This approach to financial reporting is known as using the current financial resources measurement focus and the modified accrual basis of accounting. This method may be useful in evaluating the government's near-term financing requirements. These statements provide a short-

term view of the Nation's finances that assist in determining if there will be sufficient financial resources to meet the current needs of the Nation. Most of the services provided by the Nation are financed and reported through the governmental funds.

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

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

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

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

*Enterprise Funds* — The Nation has one major enterprise fund and three nonmajor enterprise funds for presentation purposes. The major fund is the Nation's Title VI Loan Fund. The nonmajor funds are the Nation's Tsa-La-Gi Apartments, CN Sanitary Landfill and Economic Development Trust Authority (EDTA). The nonmajor enterprise combining financial statements can be found on pages 89 - 91 of this report.

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

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

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

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

The internal service funds combining financial statements can be found on pages 92 - 94 of this report.

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

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

#### *Notes to Basic Financial Statements*

The notes to basic financial statements provide additional information that is essential for a full understanding of the data provided in the government-wide and the fund financial statements. The notes to basic financial statements can be found on pages 37 - 86 of this report.

#### *Supplementary Information*

The basic financial statements are followed by a section of supplementary information. This section of the report includes combining schedules for nonmajor governmental and enterprise funds, internal service funds and a budgetary comparison schedule for the Nation's enterprise funds. The supplementary information section begins on page 87.

#### *Statistical Information*

The statistical section provides financial statement users with additional detailed information as a context for understanding the information in the financial statements, notes to the financial statements, and other supplementary information as it relates to the government's overall financial health. Included in the statistical section are schedules related to financial trends, revenue capacity, debt capacity, demographic and economic indicators, and operating information. The statistical information section begins on page 96.

#### *Comparative Analysis for Major Funds*

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

<u>Major Fund</u>	<u>2016</u>	<u>2015</u>	<u>Increase/ (Decrease)</u>	<u>Percent Increase/ (Decrease)</u>
<b>General Fund</b>				
Revenues, insurance recoveries and transfers in	\$ 110,159	\$ 97,688	\$ 12,471	12.8 %
Expenditures and transfers out	103,335	98,562	4,773	4.8 %
Fund Balance	101,072	94,248	6,824	7.2 %
<b>Self Governance DOI Roads</b>				
Revenues, insurance recoveries and transfers in	706	3,501	(2,795)	(79.8)%
Expenditures and transfers out	706	3,501	(2,795)	(79.8)%
Fund Balance	-	-	-	0.0 %
<b>Department of Transportation</b>				
Revenues, insurance recoveries and transfers in	10,798	9,482	1,316	13.9 %
Expenditures and transfers out	10,798	9,482	1,316	13.9 %
Fund Balance	-	-	-	0.0 %
<b>Self Governance DHHS</b>				
Revenues, insurance recoveries and transfers in	267,448	261,698	5,750	2.2 %
Expenditures and transfers out	268,688	272,492	(3,804)	(1.4)%
Fund Balance	22,843	24,083	(1,240)	(5.1)%
<b>Housing and Urban Development</b>				
Revenues, insurance recoveries and transfers in	38,948	35,894	3,054	8.5 %
Expenditures and transfers out	38,835	38,382	453	1.2 %
Fund Balance	790	677	113	16.7 %
<b>Capital Projects Fund</b>				
Revenues and transfers in	7,511	2,400	5,111	213.0 %
Expenditures and transfers out	12,292	4,683	7,609	162.5 %
Fund Balance	4,853	9,634	(4,781)	(49.6)%
<b>Title VI Loan Fund</b>				
Revenues and transfers in	51	57	(6)	(10.5)%
Expenses and transfers out	51	57	(6)	(10.5)%
Net Position	4	4	-	0.0 %

The General Fund represents the operating activities of the tribal government. The fund balance of the General Fund increased \$6.8 million during fiscal year 2016. Revenues increased due to additional taxes collected for motor vehicle registrations, a litigation settlement and higher dividends received from component units. General Fund received more transfers in from the Capital Projects Fund during fiscal year 2016 as opposed to fiscal year 2015 as well as a transfer in from the Skinner Family Living Trust for repairs to the John A. Ketcher Youth Shelter. Expenditures increased due to programs such as MFT Higher Education Scholarships, Motor Vehicle Tax Public School Contributions and Land Acquisitions along with additional transfers out to the Capital Projects Fund.

Self Governance DOI Roads and the Department of Transportation funds did not maintain fund balances at the end of fiscal year 2016. Self Governance DOI Roads experienced a decrease in both

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

In fiscal year 2016, the Self Governance DHHS fund reported a decrease in fund balance of \$1.2 million. Self Governance DHHS revenues and transfers in increased in fiscal year 2016 due to expanded services. Self Governance DHHS expenditures and transfers out decreased in fiscal year 2016 as a result of expenditures for programs such as Quality Management, Dental and the Pharmacy Refill Center.

The Housing and Urban Development fund had an increase of \$113 thousand in fund balance. Housing and Urban Development saw revenues and transfers in increase in the HUD programs primarily due to increased services provided for housing programs including modernization, mortgage assistance and rental assistance. HUD expenditures and transfers out increased from fiscal year 2015 primarily as a result of increased services including rental assistance, mortgage assistance and modernization offset by decreases for replacement homes.

In fiscal year 2016, the Capital Projects fund reported a decrease in fund balance of \$4.8 million. Capital Projects Fund revenues and transfers in increased due to transfers in of additional funding for the Tribal Complex construction project and a draw on the construction loan for the joint venture outpatient healthcare facility. The Capital Projects fund expenditures and transfers out increased due to the construction of the Tribal Complex addition and the purchase of health facilities equipment. The construction projects are being funded through internal sources as well as a construction loan associated with the joint venture project to construct a new outpatient healthcare facility.

The net position of the Title VI Loan fund did not change in fiscal year 2016. Title VI Loan Fund revenues and transfers in decreased in fiscal year 2016 as compared to fiscal year 2015 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 Position***

Net position over time, may serve as a useful indicator of a government's financial position. In the case of the Nation, assets and deferred outflows of resources exceeded liabilities by \$1.1 billion at the close of the most recent fiscal year. The following table presents the Nation's net position for the primary government (dollars in thousands):

**Cherokee Nation's Net Position**

	Governmental		Business-Type		Total		Increase/ (Decrease)
	Activities		Activities				
	2016	2015	2016	2015	2016	2015	
Current and other assets	\$ 1,122,762	\$ 1,072,004	\$ 18,072	\$ 17,397	\$ 1,140,834	\$ 1,089,401	\$ 51,433
Capital assets	<u>221,491</u>	<u>204,355</u>	<u>2,217</u>	<u>386</u>	<u>223,708</u>	<u>204,741</u>	<u>18,967</u>
Total assets	<u>1,344,253</u>	<u>1,276,359</u>	<u>20,289</u>	<u>17,783</u>	<u>1,364,542</u>	<u>1,294,142</u>	<u>70,400</u>
Deferred outflows of resources	<u>3,296</u>	<u>867</u>	<u>-</u>	<u>-</u>	<u>3,296</u>	<u>867</u>	<u>2,429</u>
Long-term debt outstanding	28,804	28,693	5,667	6,432	34,471	35,125	(654)
Other liabilities	<u>208,643</u>	<u>208,474</u>	<u>3,143</u>	<u>3,054</u>	<u>211,786</u>	<u>211,528</u>	<u>258</u>
Total liabilities	<u>237,447</u>	<u>237,167</u>	<u>8,810</u>	<u>9,486</u>	<u>246,257</u>	<u>246,653</u>	<u>(396)</u>
Net investment in capital assets	192,687	175,662	1,201	386	193,888	176,048	17,840
Restricted	876,372	822,166	287	287	876,659	822,453	54,206
Unrestricted	<u>41,043</u>	<u>42,231</u>	<u>9,991</u>	<u>7,624</u>	<u>51,034</u>	<u>49,855</u>	<u>1,179</u>
Total net position	<u>\$ 1,110,102</u>	<u>\$ 1,040,059</u>	<u>\$ 11,479</u>	<u>\$ 8,297</u>	<u>\$ 1,121,581</u>	<u>\$ 1,048,356</u>	<u>\$ 73,225</u>

The largest portion of the Nation's net position (78.2%) represents resources that are subject to external restrictions on how they may be used. An additional portion of the Nation's net position (17.3%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and vehicles), less any related outstanding debt that was used to acquire those assets. The Nation uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the Nation's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of \$51.0 million is unrestricted and may be used to meet the government's ongoing obligations to its creditors and provide services to the citizens.

At September 30, 2016, the Nation reported positive net position for the government as a whole, as well as for its separate governmental and business-type activities. The Nation's overall net position increased \$73.2 million from the prior fiscal year. The reasons for this overall increase are discussed in the following section for governmental and business-type activities.

*Changes in Net Position*

The Nation's net position increased \$73.2 million, or approximately 34.3% more than the prior year increase of \$54.5 million, for an ending balance of \$1.1 billion. The governmental activities and business-type activities had increases of \$70.0 million and \$3.2 million, respectively.

The Nation's total revenues increased 4.8% to \$608.6 million in fiscal year 2016. Program revenue generated \$488.7 million, consisting of charges for services, federal and state grants, and other contributions, up from \$474.1 million from the prior fiscal year. Charges for services increased from



the previous fiscal year due to the reclassification of the increase in equity in component units from general revenues to charges for services. Capital grants and contributions revenue decreased \$19.9 million in capital contributions related primarily to the timing of construction of new and expanded health care facilities to improve access to health care throughout the Nation.

Motor vehicle tax, the largest increase of the general revenues, increased \$1 million as a result of the expansion of the compact with the State of Oklahoma to include all tribal citizens within the state known as “At-Large” area. The Nation also received a litigation settlement for \$8.3 million related to contract support costs from the Bureau of Indian Affairs.

Expenses for the primary government increased 2.1% or \$11.1 million to \$537.3 million. The Nation’s expenses cover a range of services, including programs classified as tribal government, health services, education services, human services and community services functions. Significant changes include:

Tribal government expenses increased \$4.8 million (17.6%). The increase is primarily attributed to capital projects and General Fund Operations.

Education services expenses increased \$3.6 million (5.6%) due to facility projects at Sequoyah High School and training programs such as the Job Driven National Emergency Grant for Long-Term Unemployment and the Sector Partnership National Dislocated Workers Grant.

Human services expenses increased \$2.5 million (5.7%). This increase is attributed to increases for programs such as Food Distribution, Low Income Home Energy Assistance Program and PL 102-477 Child Care.

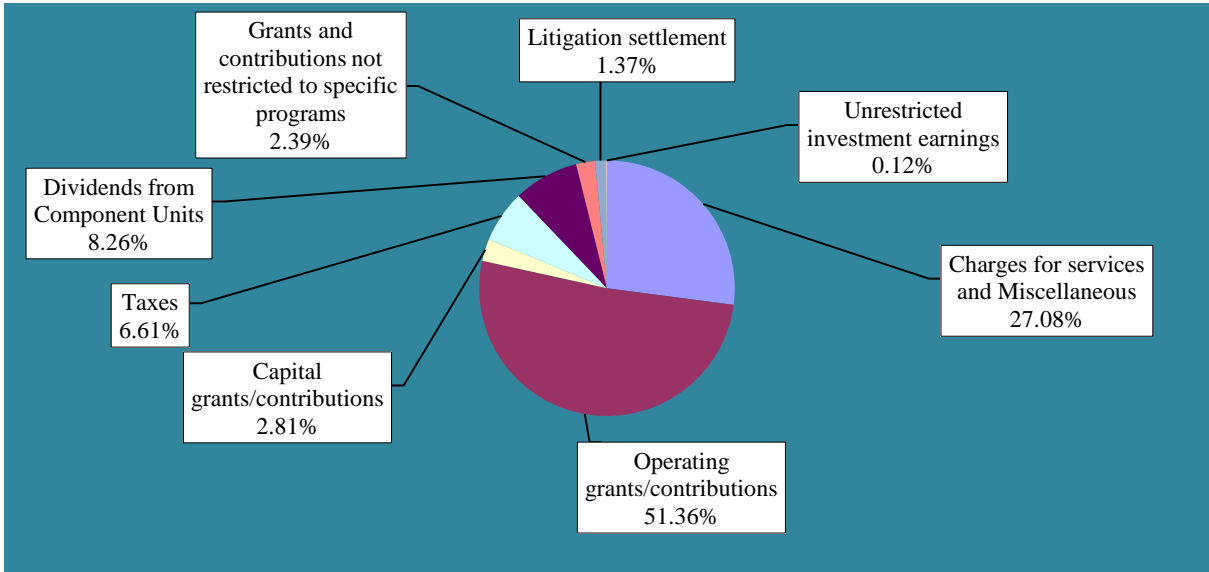
The changes in net position during 2016 are as follows (dollars in thousands):

**Cherokee Nation's Changes in Net Position**

	Governmental		Business-Type		Total	
	Activities		Activities			
	2016	2015	2016	2015	2016	2015
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 158,463	\$ 140,164	\$ 1,251	\$ 905	\$ 159,714	\$ 141,069
Operating grants/contributions	311,972	296,053	-	-	311,972	296,053
Capital grants/contributions	17,046	36,954	-	-	17,046	36,954
General revenues:						
Motor fuel tax	8,209	8,008	-	-	8,209	8,008
Motor vehicle tax	14,680	13,638	-	-	14,680	13,638
Tobacco tax and fees	13,505	14,217	-	-	13,505	14,217
Sales tax	3,752	3,654	-	-	3,752	3,654
Grants and contributions not restricted to specific programs	14,494	12,740	-	-	14,494	12,740
Unrestricted investment earnings	726	531	-	2	726	533
Litigation settlement	8,349	1,839	-	-	8,349	1,839
Dividends from component units	50,139	45,448	-	-	50,139	45,448
Miscellaneous	6,040	6,552	-	-	6,040	6,552
Total revenues	<u>607,375</u>	<u>579,798</u>	<u>1,251</u>	<u>907</u>	<u>608,626</u>	<u>580,705</u>
<b>Expenses:</b>						
Tribal government	32,382	27,535	-	-	32,382	27,535
Health services	303,202	300,161	-	-	303,202	300,161
Education services	68,678	65,059	-	-	68,678	65,059
Human services	45,461	42,996	-	-	45,461	42,996
Community services	85,626	88,575	-	-	85,626	88,575
Interest on long-term debt	1,046	1,140	-	-	1,046	1,140
Total governmental expenses	<u>536,395</u>	<u>525,466</u>	<u>-</u>	<u>-</u>	<u>536,395</u>	<u>525,466</u>
Title VI Loan Fund	-	-	51	57	51	57
Tsa-La-Gi Apartments	-	-	523	488	523	488
CN Sanitary Landfill	-	-	320	-	320	-
EDTA	-	-	17	155	17	155
Total business-type expenses	<u>-</u>	<u>-</u>	<u>911</u>	<u>700</u>	<u>911</u>	<u>700</u>
Increase in net position before transfer of operations and transfers	70,980	54,332	340	207	71,320	54,539
Transfer of operations	-	-	1,905	-	1,905	-
Transfers	(937)	(1,661)	937	1,661	-	-
Change in net position	70,043	52,671	3,182	1,868	73,225	54,539
Net position-Beginning of year	<u>1,040,059</u>	<u>987,388</u>	<u>8,297</u>	<u>6,429</u>	<u>1,048,356</u>	<u>993,817</u>
Net position-End of year	<u>\$ 1,110,102</u>	<u>\$ 1,040,059</u>	<u>\$ 11,479</u>	<u>\$ 8,297</u>	<u>\$ 1,121,581</u>	<u>\$ 1,048,356</u>

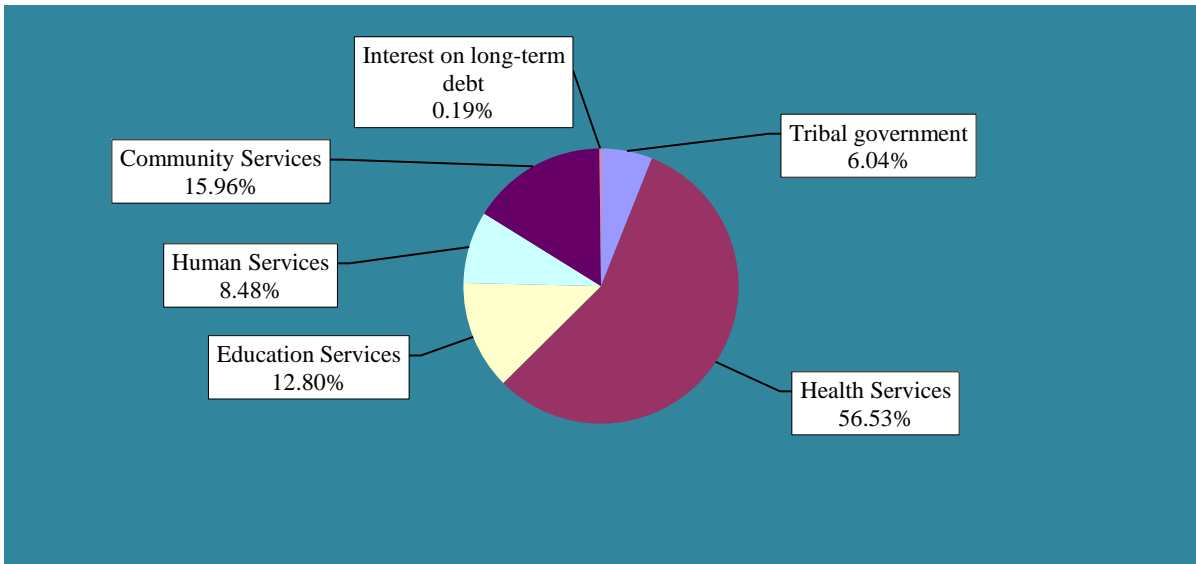
Graph 1 depicts revenues by source for the Governmental Activities of the Nation.

Graph 1 – Revenues by Source - Governmental Activities



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

Graph 2 - Expenses - Governmental Activities



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

*Significant Budget Variations*

The Nation's significant General Fund budget variations in 2016 were as follows (dollars in thousands):

	Original Budget	Final Budget	Original vs. Final		Actual	Budget vs. Actual		
			Variance	Percentage		Variance	Percentage	
			Increase/ (Decrease)	Increase/ (Decrease)		Increase/ (Decrease)	Increase/ (Decrease)	
<b>Revenues:</b>								
Property Rentals	767	767	-	- %	895	128	17%	
Interest	56	56	-	- %	916	860	1536%	
Dividends from								
component units	43,750	43,750	-	- %	50,139	6,389	15%	
Other	6,085	7,207	1,122	18%	5,305	(1,902)	(26%)	
<b>Expenditures:</b>								
Tribal government	30,544	40,001	9,457	31%	20,991	(19,010)	(48%)	
Education services	33,508	35,371	1,863	6%	30,420	(4,951)	(14%)	
Community services	37,948	40,678	2,730	7%	26,681	(13,997)	(34%)	
Capital outlay	5,592	6,035	443	8%	1,700	(4,335)	(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 anticipated changes in levels of actual revenues and expenditures/expenses. Variances between actual and final General Fund budget were as follows:

Property rentals — The actual revenue was more than budget on the Land Development Land Operations and Tribal Leases Realty programs due to terms of leases let during fiscal year 2016.

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

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

Other — Actual revenue was less than budget due to fewer receipts than expected for Economic Development, TERO Job Training Programs, Grant Development for CNB, Radio Show and Career Pathways during fiscal year 2016.

Tribal government — The actual expenditures were less than budget, primarily caused by reserves established for cash match for grants and contingencies which were not utilized in 2016 as well as other program expenditures not fully expended at the level budgeted for Employee Performance Incentive, TERO Job Training Programs, Attorney General, Litigation, Facilities Improvements and Gaming Commission.

Education services — Actual expenditures were less than budget due to reserves established for the MFT Education Reserve program as well as program expenditures not fully expended at the level

budgeted for Economic Development, Cherokee Day Training Program, Tribal Summer Youth, MFT Higher Education Scholarships, Directed Studies Program, MVT Public School Coop and Career Pathways.

Community services — Actual expenditures were less than budget as a result of reserves for Motor Vehicle Tax revenue allocations which are reserved in the current year and expended in the following year and timing of projects including roads construction and bridge construction in the Motor Fuel Tax and Motor Vehicle Tax programs. Other programs, such as the Tax Commission and Community Water and Sewer did not expend funds at the level budgeted.

Capital outlay — The Nation’s budget included approximately \$5.5 million for strategic land purchases from the proceeds of the Arkansas Riverbed settlement funds. Actual expenditures were less than budget partially due to timing of land purchases offset by programs such as Facilities Improvements, Community Water and Sewer, Building Structures Property Maintenance and Marshal Service CNE expending at a higher level than budgeted.

*Capital Assets and Debt Administration*

The Nation’s capital assets, net of depreciation, at the end of fiscal year 2016 were \$223.7 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):

	<b>Governmental</b>	<b>Business-type</b>	
	<b>Activities</b>	<b>Activities</b>	<b>Total</b>
Land and improvements	\$ 20,564	\$ 236	\$ 20,800
Construction in progress	12,688	-	12,688
Buildings and improvements	165,546	258	165,804
Equipment	22,693	1,723	24,416
Total capital assets	<u>\$ 221,491</u>	<u>\$ 2,217</u>	<u>\$ 223,708</u>

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

The Nation’s long-term debt at the end of fiscal year 2016 was approximately \$34.5 million, primarily related to Title VI loan program, health clinic construction and expansion, and the joint venture construction project for an outpatient health facility in Tahlequah, Oklahoma. The following is a summary of long-term debt at September 30, 2016 (dollars in thousands):

	<b>Governmental</b>	<b>Business-type</b>	
	<b>Activities</b>	<b>Activities</b>	<b>Total</b>
Notes payable	\$ 16,644	\$ 4,651	\$ 21,295
Bonds payable	12,160	-	12,160
Capital leases payable	-	1,016	1,016
Total long-term debt	<u>\$ 28,804</u>	<u>\$ 5,667</u>	<u>\$ 34,471</u>

The Nation, as a tribal government, has the ability to incur debt, similar to a state or local government. In July 2002, the Nation entered into an agreement with JP Morgan Chase, which was previously Bank One, guaranteed by the United States Department of Housing and Urban Development. The purpose of the credit facility was to loan money to the HACN which, in turn, used the money in the building of affordable housing for Tribal citizens. As of September 30, 2016, the outstanding balance of this credit facility totaled approximately \$3.6 million.

The bond issuance, which occurred in fiscal year 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.

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

The Nation entered into a construction loan for a new outpatient health facility in Tahlequah, Oklahoma during fiscal year 2016. Current year draw down of the loan was \$2.5 million.

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

#### *Economic Factors and Next Year's Budget*

The Nation continues to provide vital services to the citizens despite political and economic uncertainty. The outlook for 2017 revenue is projected to be slightly decreased for the General Fund due in part to having decreased funds available from settlements received. Budgeted expenditures and transfers for the Nation's General Fund for fiscal year 2017 total \$146 million, approximately \$21.6 million less than the final amounts budgeted for fiscal year 2016 due to the use of one-time funding from the settlements received previously.

Market saturation and increased competition 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.

To capitalize on market conditions, CNE has recently completed construction on a new facility in Grove, Oklahoma. CNE management is also evaluating possible new gaming locations. CNE also continues its innovative approach to offering the newest gaming options available and to improve loyalty within its existing customer base including targeted marketing and rewards programs.

#### *Requests for Information*

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

*Our Nation's Natural Resources*



*Rocky Ford Creek*



# BASIC FINANCIAL STATEMENTS

2016 COMPREHENSIVE ANNUAL FINANCIAL REPORT

*Our Nation's Natural Resources*



*Dripping Springs*



# GOVERNMENT-WIDE FINANCIAL STATEMENTS

2016 COMPREHENSIVE ANNUAL FINANCIAL REPORT



**CHEROKEE NATION**

**STATEMENT OF NET POSITION**

**SEPTEMBER 30, 2016**

**(Dollars in Thousands)**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and cash equivalents	\$ 186,007	\$ 3,120	\$ 189,127	\$ 124,578
Investments	63,574	-	63,574	5,921
Accounts receivable, net	38,379	184	38,563	90,864
Internal Balances	(268)	268	-	-
Due from component units	1,643	59	1,702	-
Inventories	4,732	-	4,732	32,246
Notes receivable	-	3,141	3,141	525
Other current assets	9,439	2	9,441	11,971
Restricted cash, cash equivalents and investments	42,240	3,306	45,546	11,759
Long-term notes receivable	1,587	7,992	9,579	16,689
Other assets	64	-	64	11,262
Investment in joint ventures/partnerships	-	-	-	8,694
Equity interests in component units	775,365	-	775,365	-
Capital assets, non depreciable	32,449	236	32,685	96,405
Capital assets, depreciable, net	189,042	1,981	191,023	637,577
Total assets	1,344,253	20,289	1,364,542	1,048,491
<b>Deferred Outflows of Resources</b>				
Accumulated decrease in fair value of hedging derivative	3,296	-	3,296	-
Total deferred outflows of resources	3,296	-	3,296	-
<b>Liabilities</b>				
Accounts payable	15,239	-	15,239	136,196
Accrued liabilities	35,362	10	35,372	-
Due to primary government	-	-	-	1,702
Other current liabilities	7,480	49	7,529	-
Unearned revenue	139,890	-	139,890	624
Notes payable and long-term debt				
Due within one year	1,600	1,266	2,866	2,264
Due in more than one year	27,204	3,385	30,589	33,354
Capital leases				
Due within one year	-	214	214	48
Due in more than one year	-	802	802	78
Compensated absences				
Due within one year	7,376	-	7,376	-
Derivative instrument - rate swap	3,296	-	3,296	-
Trust liabilities	-	-	-	3,826
Other noncurrent liabilities	-	3,084	3,084	-
Total liabilities	237,447	8,810	246,257	178,092
<b>Net Position</b>				
Net investment in capital assets	192,687	1,201	193,888	689,544
Restricted for:				
Education, Roads and Safety (MVT)	13,838	-	13,838	-
Education, Health, Roads and Safety (MFT)	44,097	-	44,097	-
Permanent Funds - expendable	78	-	78	-
Permanent Funds - nonexpendable	425	-	425	-
Construction	-	-	-	1,899
Debt service	142	-	142	535
Equity interests in component units	775,365	-	775,365	-
Equity interest of minority entity, nonexpendable	-	-	-	1,287
Investment in partnership/joint ventures	-	-	-	1,378
Program services	42,427	-	42,427	27,905
Capital replacements for Tsa-La-Gi	-	287	287	-
Unrestricted	41,043	9,991	51,034	147,851
Total net position	\$ 1,110,102	\$ 11,479	\$ 1,121,581	\$ 870,399

See notes to basic financial statements

**CHEROKEE NATION**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**  
**(Dollars in Thousands)**

Functions/Programs	Program Revenues					Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Primary Government			
						Governmental Activities	Business-type Activities	Total	Component Units
<b>Primary Government:</b>									
Governmental activities:									
Tribal government	\$ 32,382	\$ 4,869	\$ 1,628	\$ 2,301	\$ (23,584)	\$ -	\$ (23,584)	\$ -	
Health services	303,202	104,583	182,277	14,745	(1,597)	-	(1,597)	-	
Education services	68,678	-	34,292	-	(34,386)	-	(34,386)	-	
Human services	45,461	-	34,749	-	(10,712)	-	(10,712)	-	
Community services	85,626	12	59,026	-	(26,588)	-	(26,588)	-	
Interest on long-term debt	1,046	-	-	-	(1,046)	-	(1,046)	-	
Increase in equity in component units	-	48,999	-	-	48,999	-	48,999	-	
Total governmental activities	536,395	158,463	311,972	17,046	(48,914)	-	(48,914)	-	
<b>Business-type activities:</b>									
Title VI Loan Fund	51	52	-	-	-	1	1	-	
Tsa-La-Gi Apartments	523	547	-	-	-	24	24	-	
CN Sanitary Landfill	320	298	-	-	-	(22)	(22)	-	
EDTA	17	354	-	-	-	337	337	-	
Total business-type activities	911	1,251	-	-	-	340	340	-	
<b>Total primary government</b>	<b>\$ 537,306</b>	<b>\$ 159,714</b>	<b>\$ 311,972</b>	<b>\$ 17,046</b>	<b>(48,914)</b>	<b>340</b>	<b>(48,574)</b>	<b>-</b>	
<b>Component Units</b>	<b>\$ 1,037,516</b>	<b>\$ 1,060,529</b>	<b>\$ 22,787</b>	<b>\$ 1,522</b>				<b>47,322</b>	
<b>General Revenues:</b>									
Motor fuel tax					8,209	-	8,209	-	
Motor vehicle tax					14,680	-	14,680	-	
Tobacco tax					13,505	-	13,505	-	
Sales tax					3,752	-	3,752	-	
Grants and contributions not restricted to specific programs					14,494	-	14,494	-	
Unrestricted investment earnings					726	-	726	920	
Dividends from component units					50,139	-	50,139	-	
Miscellaneous revenue					6,040	-	6,040	-	
Litigation settlement					8,349	-	8,349	-	
Income (loss) on investment in joint ventures					-	-	-	(54)	
Transfers					(937)	937	-	-	
Transfer of operations					-	1,905	1,905	(1,905)	
Total general revenues, transfers and transfer of operations					118,957	2,842	121,799	(1,039)	
Change in net position					70,043	3,182	73,225	46,283	
Net position - beginning					1,040,059	8,297	1,048,356	824,116	
Net position - ending					\$ 1,110,102	\$ 11,479	\$ 1,121,581	\$ 870,399	

See notes to basic financial statements

*Our Nation's Natural Resources*



*Red Bud Tree/River Cane*



# FUND FINANCIAL STATEMENTS

2016 COMPREHENSIVE ANNUAL FINANCIAL REPORT

**CHEROKEE NATION**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**SEPTEMBER 30, 2016**

**(Dollars in Thousands)**

	General	Self Governance DOI Roads	Department of Transportation	Self Governance DHHS	Housing & Urban Development	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>								
Cash and cash equivalents	\$ 80,947	\$ 1,546	\$ 63,382	\$ 6,459	\$ 3,404	\$ -	\$ 30,154	\$ 185,892
Investments	6,016	10,018	12,346	-	17,034	-	18,160	63,574
Receivables, net	12,658	-	-	19,893	86	-	5,362	37,999
Due from other funds	111	-	-	-	3,454	7,227	955	11,747
Due from component units	3,909	-	-	-	-	-	10	3,919
Inventories	-	-	-	3,538	-	-	1,042	4,580
Other current assets	1	-	-	8,553	-	20	283	8,857
Restricted cash, cash equivalents and investments	41,551	-	-	-	-	-	689	42,240
Long-term notes receivable	-	-	-	-	1,587	-	-	1,587
Total assets	<u>145,193</u>	<u>11,564</u>	<u>75,728</u>	<u>38,443</u>	<u>25,565</u>	<u>7,247</u>	<u>56,655</u>	<u>360,395</u>
<b>LIABILITIES</b>								
Accounts payable	\$ 15,239	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,239
Accrued liabilities	12,423	-	-	9,368	-	908	75	22,774
Due to other funds	16,441	130	1,661	157	-	1,486	9,475	29,350
Due to component units	-	-	-	-	2,310	-	25	2,335
Other liabilities	7	-	-	201	2	-	13	223
Unearned revenue	11	11,434	74,067	5,874	20,876	-	27,628	139,890
Total liabilities	<u>44,121</u>	<u>11,564</u>	<u>75,728</u>	<u>15,600</u>	<u>23,188</u>	<u>2,394</u>	<u>37,216</u>	<u>209,811</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Unavailable revenue - notes receivables	-	-	-	-	1,587	-	-	1,587
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,587</u>	<u>-</u>	<u>-</u>	<u>1,587</u>
<b>FUND BALANCES</b>								
Nonspendable	-	-	-	12,091	-	-	425	12,516
Restricted	57,932	-	-	10,752	790	-	19,014	88,488
Committed	7,953	-	-	-	-	-	-	7,953
Assigned	8,265	-	-	-	-	4,853	-	13,118
Unassigned	26,922	-	-	-	-	-	-	26,922
Total fund balances	<u>101,072</u>	<u>-</u>	<u>-</u>	<u>22,843</u>	<u>790</u>	<u>4,853</u>	<u>19,439</u>	<u>148,997</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 145,193</u>	<u>\$ 11,564</u>	<u>\$ 75,728</u>	<u>\$ 38,443</u>	<u>\$ 25,565</u>	<u>\$ 7,247</u>	<u>\$ 56,655</u>	

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

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds.	210,625
The equity interests in component units is not an available resource and, therefore, is not reported in the funds.	775,365
Assets recorded in government-wide financial statements that are not available to pay for current period expenditures, therefore, are unavailable and not recorded in the funds.	1,587
Derivative instruments: Rate swaps not reported in governmental funds	(3,296)
Deferred outflows of resources used to accumulate decreases in fair value of hedging derivative also not reported in governmental funds	3,296
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.	2,518
Liabilities that are not due and payable in the current period and, therefore, not reported in the funds.	(28,990)
Net position of governmental activities	<u>\$ 1,110,102</u>

**CHEROKEE NATION**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016  
(Dollars in Thousands)**

	General	Self Governance DOI Roads	Department of Transportation	Self Governance DHHS	Housing & Urban Development	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>								
Intergovernmental	\$ -	\$ 681	\$ 10,741	\$ 161,794	\$ 38,606	\$ -	\$ 106,221	\$ 318,043
Property rentals	895	-	-	-	-	-	-	895
Motor fuel tax	8,209	-	-	-	-	-	-	8,209
Taxes, licenses and fees	35,923	-	-	-	-	-	-	35,923
Interest	916	25	57	43	57	-	386	1,484
Litigation settlement	8,349	-	-	-	-	-	-	8,349
Dividends from component units	50,139	-	-	-	-	-	-	50,139
Third party revenues	-	-	-	104,580	-	-	1,581	106,161
Other	5,305	-	-	376	236	-	6,210	12,127
<b>Total revenues</b>	<b>109,736</b>	<b>706</b>	<b>10,798</b>	<b>266,793</b>	<b>38,899</b>	<b>-</b>	<b>114,398</b>	<b>541,330</b>
<b>Expenditures:</b>								
<b>Current operating:</b>								
Tribal Government	20,991	-	-	184	-	1,112	7,134	29,421
Health Services	10,248	-	-	259,860	-	4	23,256	293,368
Education Services	30,420	-	-	-	-	-	38,000	68,420
Human Services	5,409	-	-	-	160	-	39,598	45,167
Community Services	26,681	681	10,716	3,844	38,552	-	4,445	84,919
<b>Debt service:</b>								
Principal	-	-	-	1,600	-	-	800	2,400
Interest	-	-	-	482	-	-	576	1,058
Capital outlay	1,700	-	25	2,018	-	11,026	1,448	16,217
<b>Total expenditures</b>	<b>95,449</b>	<b>681</b>	<b>10,741</b>	<b>267,988</b>	<b>38,712</b>	<b>12,142</b>	<b>115,257</b>	<b>540,970</b>
Excess (deficiency) of revenues over expenditures	14,287	25	57	(1,195)	187	(12,142)	(859)	360
<b>Other financing sources (uses):</b>								
Issuance of long-term debt	-	-	-	-	-	2,511	-	2,511
Insurance recoveries	56	-	-	79	-	-	77	212
Transfers in	367	-	-	576	49	5,000	2,768	8,760
Transfers out	(7,886)	(25)	(57)	(700)	(123)	(150)	(985)	(9,926)
<b>Total other financing sources (uses)</b>	<b>(7,463)</b>	<b>(25)</b>	<b>(57)</b>	<b>(45)</b>	<b>(74)</b>	<b>7,361</b>	<b>1,860</b>	<b>1,557</b>
Net change in fund balances	6,824	-	-	(1,240)	113	(4,781)	1,001	1,917
Fund balance, October 1, 2015	94,248	-	-	24,083	677	9,634	18,438	147,080
<b>Fund balance, September 30, 2016</b>	<b>\$ 101,072</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 22,843</b>	<b>\$ 790</b>	<b>\$ 4,853</b>	<b>\$ 19,439</b>	<b>\$ 148,997</b>

# 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, 2016 (Dollars in Thousands)

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

Net change in fund balances - total governmental funds \$ 1,917

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. 1,054

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. (111)

The increase in equity in component units, in the statement of activities, does not provide current financial resources and is not reported as revenues in the funds. 48,999

Some expenses are reported in the statement of activities when incurred and presented in the governmental funds when paid. (282)

Contributions of capital assets recorded as revenue in the government-wide financial statements but not recorded at the governmental fund level. 17,046

The internal service funds are used to account for those activities which provide services to other functions within the government. The majority of the costs are allocated to the governmental funds in the government-wide financial statements. This amount is the net effect of the allocations. 1,420

Change in net position of governmental activities \$ 70,043

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, 2016  
 (Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Property rentals	\$ 767	\$ 767	\$ 895	\$ 128
Motor fuel tax	7,949	7,949	8,209	260
Taxes, licenses and fees	33,941	33,941	35,923	1,982
Interest	56	56	916	860
Litigation settlement	-	-	8,349	8,349
Dividends from component units	43,750	43,750	50,139	6,389
Other	6,085	7,207	5,305	(1,902)
Total revenues	<u>92,548</u>	<u>93,670</u>	<u>109,736</u>	<u>16,066</u>
Expenditures:				
Tribal government	30,544	40,001	20,991	(19,010)
Health services	7,418	10,311	10,248	(63)
Education services	33,508	35,371	30,420	(4,951)
Human services	5,391	5,520	5,409	(111)
Community services	37,948	40,678	26,681	(13,997)
Capital outlay	5,592	6,035	1,700	(4,335)
Total expenditures	<u>120,401</u>	<u>137,916</u>	<u>95,449</u>	<u>(42,467)</u>
Excess (deficiency) of revenues over expenditures	<u>(27,853)</u>	<u>(44,246)</u>	<u>14,287</u>	<u>58,533</u>
Other financing sources (uses):				
Insurance recoveries	-	42	56	14
Transfers in	20,133	21,177	367	(20,810)
Transfers out	(27,900)	(29,739)	(7,886)	21,853
Total other financing sources (uses)	<u>(7,767)</u>	<u>(8,520)</u>	<u>(7,463)</u>	<u>1,057</u>
Net change in fund balance	<u>(35,620)</u>	<u>(52,766)</u>	<u>6,824</u>	<u>59,590</u>
Fund balance, October 1, 2015	<u>94,248</u>	<u>94,248</u>	<u>94,248</u>	<u>-</u>
Fund balance, September 30, 2016	<u><b>\$58,628</b></u>	<u><b>\$41,482</b></u>	<u><b>\$101,072</b></u>	<u><b>\$ 59,590</b></u>

See notes to basic financial statements

# CHEROKEE NATION

## STATEMENT OF NET POSITION - PROPRIETARY FUNDS

SEPTEMBER 30, 2016

(Dollars in Thousands)

	Business-type Activities- Enterprise Funds			Governmental Activities- Internal Service Funds
	Title VI Loan Fund	Nonmajor Enterprise Funds	Total	
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 474	\$ 2,646	\$ 3,120	\$ 115
Accounts receivable, net	-	184	184	380
Due from other funds	-	813	813	20,078
Due from component units	4	55	59	116
Inventories	-	-	-	152
Notes receivable, current	1,202	1,939	3,141	-
Other current assets	-	2	2	582
Total current assets	1,680	5,639	7,319	21,423
Noncurrent assets:				
Restricted cash and cash equivalents	-	3,306	3,306	-
Long-term notes receivable	2,386	5,606	7,992	-
Capital assets, net	-	2,217	2,217	10,866
Total noncurrent assets	2,386	11,129	13,515	10,866
Total assets	4,066	16,768	20,834	32,289
<b>LIABILITIES</b>				
Current liabilities:				
Accrued liabilities	4	6	10	12,402
Current portion of long-term debt	1,202	64	1,266	-
Current portion of capital leases	-	214	214	-
Due to other funds	470	75	545	2,743
Due to component unit	-	-	-	57
Compensated absences	-	-	-	7,376
Other current liabilities	-	49	49	7,257
Total current liabilities	1,676	408	2,084	29,835
Noncurrent liabilities:				
Long-term debt	2,386	999	3,385	-
Capital leases payable	-	802	802	-
Other liabilities	-	3,020	3,020	-
Total noncurrent liabilities	2,386	4,821	7,207	-
Total liabilities	4,062	5,229	9,291	29,835
<b>NET POSITION</b>				
Net investment in capital assets	-	1,201	1,201	10,866
Restricted for:				
Capital replacements	-	287	287	-
Unrestricted (deficit)	4	10,051	10,055	(8,412)
Total net position	\$ 4	\$ 11,539	11,543	\$ 2,454
Adjustment to reflect the consolidation of Internal Service Funds activities related to Enterprise Funds			(64)	
Net position of business-type activities			\$ 11,479	

See notes to basic financial statements



**CHEROKEE NATION**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2016  
 (Dollars in Thousands)**

	Business-type Activities- Enterprise Funds			Governmental Activities- Internal Service Funds
	Title VI Loan Fund	Nonmajor Enterprise Funds	Total	
Operating revenues:				
Property rentals	\$ -	\$ 544	\$ 544	\$ 7
Charges for services and goods	-	291	291	128,551
Interest income, loans	51	288	339	-
Other	-	69	69	419
Total operating revenues	51	1,192	1,243	128,977
Operating expenses:				
Salaries and wages	-	138	138	105,887
Other services and charges	-	589	589	18,491
Materials and supplies	-	32	32	2,146
Depreciation	-	88	88	1,224
Total operating expenses	-	847	847	127,748
Operating income	51	345	396	1,229
Nonoperating revenues (expenses):				
Interest income	-	8	8	-
Interest expense	(51)	(14)	(65)	-
Gain/(loss) on sale of capital assets	-	-	-	(37)
Net nonoperating expenses	(51)	(6)	(57)	(37)
Income before transfer of operations and transfers	-	339	339	1,192
Transfer of operations	-	1,905	1,905	-
Transfers in	-	937	937	229
Change in net position	-	3,181	3,181	1,421
Total net position - beginning	4	8,358		1,033
Total net position - ending	\$ 4	\$ 11,539		\$ 2,454
Adjustment to reflect the consolidation of Internal Service Funds activities related to Enterprise Funds			1	
Change in net position of business-type activities			\$ 3,182	

See notes to basic financial statements

**CHEROKEE NATION**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016  
(Dollars in Thousands)**

	Business-type Activities- Enterprise Funds			Governmental Activities- Internal Service Funds
	Title VI Loan Fund	Nonmajor Enterprise Funds	Total	
<b>Cash flows from operating activities:</b>				
Receipts from customers	\$ -	\$ 651	\$ 651	\$ 125,526
Payments to suppliers	-	(609)	(609)	(25,561)
Payments to employees	-	(138)	(138)	(105,877)
Internal activity - payments to other funds	-	(772)	(772)	(3,885)
Internal activity - payments from other funds	-	74	74	5,326
Internal activity - payments to component units	-	-	-	(44)
Internal activity - payments from component units	-	115	115	156
Interest received on loans	51	288	339	-
Other receipts	-	69	69	419
Net cash provided by (used for) operating activities	51	(322)	(271)	(3,940)
<b>Cash flows from noncapital financing activities:</b>				
Transfer from other funds	-	937	937	229
Transfer to CNWM	-	(14)	-	-
Principal paid on notes payable	(1,719)	(62)	(1,781)	-
Interest paid on notes payable	(51)	(11)	(62)	-
Net cash provided by (used for) noncapital financing activities	(1,770)	850	(920)	229
<b>Cash flows from capital and related financing activities:</b>				
Purchases of capital assets	-	-	-	(726)
Proceeds from capital debt and leases	-	1,016	1,016	-
Interest paid on capital debt	-	(3)	(3)	-
Net cash provided by (used for) capital and related financing activities	-	1,013	1,013	(726)
<b>Cash flows from investing activities:</b>				
Interest received	-	8	8	-
Payments received on notes receivable	1,719	-	1,719	-
Increase in notes receivable, net	-	(1,267)	(1,267)	-
Net cash provided by (used for) investing activities	1,719	(1,259)	460	-
Net increase (decrease) in cash and cash equivalents	-	282	282	(4,437)
Cash and cash equivalents, October 1, 2015	474	5,670	6,144	4,552
Cash and cash equivalents, September 30, 2016	\$ 474	\$ 5,952	\$ 6,426	\$ 115
Cash and Cash Equivalents consist of:				
Unrestricted cash and cash equivalents	\$ 474	\$ 2,646	\$ 3,120	\$ 115
Restricted cash and cash equivalents	-	3,306	3,306	-
Total Cash and Cash Equivalents, September 30, 2016	\$ 474	\$ 5,952	\$ 6,426	\$ 115
<b>Reconciliation of operating income to net cash provided by operating activities:</b>				
Operating income	\$ 51	\$ 345	\$ 396	\$ 1,229
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:				
Depreciation expense	-	88	88	1,224
Change in assets and liabilities:				
Receivables, net	-	(913)	(913)	2,019
Inventories	-	-	-	(6)
Other current assets	-	-	-	(56)
Accounts and other payables	-	158	158	(8,350)
Net cash provided by (used for) operating activities	\$ 51	\$ (322)	\$ (271)	\$ (3,940)

See notes to basic financial statements

**CHEROKEE NATION**

**COMBINING STATEMENT OF NET POSITION - COMPONENT UNITS**  
**SEPTEMBER 30, 2016**  
**(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)	Cherokee Health Partners LLC (CHP)	Cherokee Nation Foundation (CNF)	Cherokee National Historical Society, Inc. (CNHS)	Total
<b>ASSETS</b>									
Current assets:									
Cash and cash equivalents	\$ 115,038	\$ 6,385	\$ 1,413	\$ 29	\$ 55	\$ 1,522	\$ 64	\$ 72	\$ 124,578
Restricted cash	7,144	-	-	-	-	-	74	180	7,398
Investments	-	4,384	-	-	-	-	635	902	5,921
Receivables, net	88,377	852	172	603	-	840	-	20	90,964
Due from primary government	-	2,741	-	-	-	-	-	-	2,741
Inventories	31,831	-	-	-	-	319	-	96	32,246
Notes receivable	-	525	-	-	-	-	-	-	525
Other current assets	10,220	1,622	27	24	-	78	-	-	11,971
Total current assets	252,610	16,509	1,612	656	55	2,759	773	1,270	276,244
Noncurrent assets:									
Restricted investments	-	4,361	-	-	-	-	-	-	4,361
Notes receivable	1,219	15,470	-	-	-	-	-	-	16,689
Other assets	9,831	1,431	-	-	-	-	-	-	11,262
Investment in partnerships/joint ventures	7,004	1,378	-	-	-	312	-	-	8,694
Capital assets, net	638,893	89,273	2,082	540	-	1,958	5	1,231	733,982
Total noncurrent assets	656,947	111,913	2,082	540	-	2,270	5	1,231	774,988
Total assets	909,557	128,422	3,694	1,196	55	5,029	778	2,501	1,051,232
<b>LIABILITIES</b>									
Current liabilities:									
Accounts payable and accrued liabilities	131,572	2,350	375	308	-	1,568	18	5	136,196
Due to primary government	4,188	-	167	33	55	-	-	-	4,443
Unearned revenue	-	50	574	-	-	-	-	-	624
Current portion of notes payable	-	1,747	-	-	-	-	-	5	1,752
Current portion of long-term debt	-	-	56	259	-	197	-	-	512
Current portion of capital leases	-	-	-	48	-	-	-	-	48
Total current liabilities	135,760	4,147	1,172	648	55	1,765	18	10	143,575
Noncurrent liabilities:									
Trust liabilities	-	3,826	-	-	-	-	-	-	3,826
Notes payable	-	31,152	-	-	-	-	-	-	31,152
Long-term debt	-	-	1,294	300	-	523	-	85	2,202
Long-term capital leases	-	-	-	78	-	-	-	-	78
Total noncurrent liabilities	-	34,978	1,294	378	-	523	-	85	37,258
Total liabilities	135,760	39,125	2,466	1,026	55	2,288	18	95	180,833
<b>NET POSITION</b>									
Net investment in capital assets	626,279	59,963	732	181	-	1,238	5	1,146	689,544
Restricted, nonexpendable:									
Equity interest of minority entity	-	-	-	-	-	1,287	-	-	1,287
Restricted, expendable for:									
Debt service	-	535	-	-	-	-	-	-	535
Construction	1,899	-	-	-	-	-	-	-	1,899
Investment in partnership/joint ventures	-	1,378	-	-	-	-	-	-	1,378
Program services	-	27,421	-	-	-	-	73	411	27,905
Unrestricted	145,619	-	496	(11)	-	216	682	849	147,851
Total net position (deficit)	\$ 773,797	\$ 89,297	\$ 1,228	\$ 170	\$ -	\$ 2,741	\$ 760	\$ 2,406	\$ 870,399

See notes to basic financial statements

**CHEROKEE NATION**

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -  
COMPONENT UNITS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016  
(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)	Cherokee Health Partners, LLC (CHP)	Cherokee Nation Foundation (CNF)	Cherokee National Historical Society, Inc. (CNHS)	Total
Operating revenues:									
Charges for services and goods	\$ 1,021,051	\$ 4,952	\$ 11,967	\$ 5,856	\$ 1,114	\$ 12,988	\$ -	\$ 11	\$ 1,057,939
Income (loss) from investments in joint ventures	(54)	-	-	-	-	-	-	-	(54)
Other	-	550	-	32	-	-	668	1,340	2,590
Total operating revenues	1,020,997	5,502	11,967	5,888	1,114	12,988	668	1,351	1,060,475
Operating expenses:									
Cost of sales/operations	408,458	14,664	-	-	-	-	-	-	423,122
Salaries and wages	277,384	11,609	3,892	4,554	437	-	-	-	297,876
Other services and charges	166,934	132	7,752	1,041	859	11,844	702	1,397	190,661
Depreciation and amortization	48,044	5,135	180	58	887	54	-	-	54,358
Total operating expenses	900,820	31,540	11,824	5,653	2,183	11,898	702	1,397	966,017
Operating income (loss)	120,177	(26,038)	143	235	(1,069)	1,090	(34)	(46)	94,458
Nonoperating revenues (expenses):									
Grant revenue	-	22,787	-	-	-	-	-	-	22,787
Interest/investment income	124	772	2	-	2	-	-	20	920
Interest expense	(406)	(1,027)	(90)	(31)	(21)	(29)	-	-	(1,604)
Other, net	1,696	416	2	-	37	235	-	-	2,386
Net nonoperating revenues (expenses)	1,414	22,948	(86)	(31)	18	206	-	20	24,489
Net Income (loss) before dividends, capital grants and transfer of operations	121,591	(3,090)	57	204	(1,051)	1,296	(34)	(26)	118,947
Dividends to primary government	(50,139)	-	-	-	-	-	-	-	(50,139)
Distributions	-	-	-	-	-	(1,078)	-	-	(1,078)
Capital grants from primary government	-	270	-	-	1,252	-	-	-	1,522
Capital grants to Cherokee Nation and others	(21,064)	-	-	-	-	-	-	-	(21,064)
Transfer of operations	-	-	-	-	(1,905)	-	-	-	(1,905)
	(71,203)	270	-	-	(653)	(1,078)	-	-	(72,664)
Change in net position	50,388	(2,820)	57	204	(1,704)	218	(34)	(26)	46,283
Net position, beginning of year	723,409	92,117	1,171	(34)	1,704	2,523	794	2,432	824,116
Net position (deficit), end of year	\$ 773,797	\$ 89,297	\$ 1,228	\$ 170	\$ -	\$ 2,741	\$ 760	\$ 2,406	\$ 870,399

See notes to basic financial statements

## CHEROKEE NATION

RECAST OF THE COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -  
 COMPONENT UNITS TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED SEPTEMBER 30, 2016  
 (Dollars in Thousands)

	Discretely Presented Component Units	Government-wide - Statement of Activities				
		Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Revenues
Operating revenues:						
Charges for services and goods	\$ 1,057,939	\$ -	\$ 1,057,939	\$ -	\$ -	\$ -
Income (loss) from investments in joint ventures	(54)	-	-	-	-	(54)
Other	2,590	-	2,590	-	-	-
Total operating revenues	1,060,475	-	1,060,529	-	-	(54)
Operating expenses:						
Cost of sales/operations	423,122	423,122	-	-	-	-
Salaries and wages	297,876	297,876	-	-	-	-
Other services and charges	190,661	190,661	-	-	-	-
Depreciation and amortization	54,358	54,358	-	-	-	-
Total operating expenses	966,017	966,017	-	-	-	-
Operating income (loss)	94,458	(966,017)	1,060,529	-	-	(54)
Nonoperating revenues (expenses):						
Grant revenue	22,787	-	-	22,787	-	-
Interest/investment income	920	-	-	-	-	920
Interest expense	(1,604)	(1,604)	-	-	-	-
Other, net	2,386	2,386	-	-	-	-
Net nonoperating revenues (expenses)	24,489	782	-	22,787	-	920
Net Income (loss) before dividends, capital grants and transfer of operations						
	118,947	(965,235)	1,060,529	22,787	-	866
Dividends to primary government	(50,139)	(50,139)	-	-	-	-
Distributions	(1,078)	(1,078)	-	-	-	-
Capital grants from primary government	1,522	-	-	-	1,522	-
Capital grants to Cherokee Nation and others	(21,064)	(21,064)	-	-	-	-
Transfer of operations	(1,905)	-	-	-	-	(1,905)
Change in net position	46,283	(1,037,516)	1,060,529	22,787	1,522	(1,039)
Net position, beginning of year	824,116					
Net position, end of year	\$ 870,399	\$ (1,037,516)	\$ 1,060,529	\$ 22,787	\$ 1,522	\$ (1,039)

See notes to basic financial statements

*Our Nation's Natural Resources*



*Goat's Bluff - Illinois River*



# NOTES TO BASIC FINANCIAL STATEMENTS

2016 COMPREHENSIVE ANNUAL FINANCIAL REPORT

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### *General Information and Basis of Presentation*

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

### *Reporting Entity*

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

### *Discretely Presented Component Units*

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

Cherokee Nation Businesses, LLC (CNB) — CNB, a tribal limited liability company, was created June 16, 2004, to provide “decision support” services and strategic coordination of business activities for the Nation and to act as a holding corporation for certain Nation business enterprises and joint venture investments. The Nation created CNB and is able to exert significant influence over CNB's activities as a result of its relationship to CNB and board member appointments. CNB and the companies it owns are managed through a board of directors appointed by the Principal Chief of the Nation and confirmed by the Cherokee Nation Tribal Council. As of September 30, 2016, CNB reported the following blended component units:

Cherokee Nation Entertainment, LLC (CNE) — CNE is a tribal limited liability company organized under the laws of the Nation. The Nation conducts all of its gaming and entertainment activities through CNE. For reporting purposes, CNE is included as a blended component unit of CNB which is a discrete component unit of the Nation. At September 30, 2016, CNE operates eight casinos, a horse racing facility with electronic gaming machines, two retail smoke shop facilities that include electronic gaming machines and other retail facilities including an additional smoke shop, a travel plaza, a convenience store and gift shops. CNE's gaming and entertainment operations include food and beverage venues,

hotels and motels, live entertainment venues, two 18-hole and one 9-hole golf courses. CNE is headquartered in Catoosa, Oklahoma.

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

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

Cherokee Hotels, LLC (CHL) — CHL is a tribal limited liability company, created on May 23, 2006, under the laws of the Nation to own and operate a motel located in Roland, Oklahoma. On August 31, 2015, the Cherokee Inn located in Roland, Oklahoma, was razed and converted into a parking space for the Roland Casino.

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

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

Other CNB blended component units by business sector include:

### **Technology Sector**

- Cherokee Nation Security & Defense, LLC (CNSD) is a tribal limited liability company created in 2009 that provides state-of-the-art critical site infrastructure protection, security surveillance services, access control technologies and security integration for both government and commercial clients. CNSD is headquartered in Tulsa.
- Cherokee Nation Strategic Programs, LLC (CNSP) is an Oklahoma limited liability company, was formed in 2014 to provide research and development, unmanned aircraft systems testing and evaluation and risk vulnerability assessments and related training support. CNSP changed its name from Cherokee Nation Research Laboratories, LLC (CNRL) to CNSP effective February 19, 2016. CNSP is headquartered in Tulsa.
- Cherokee Nation Defense Solutions, LLC (CNDS) is a tribal limited liability company created in 2008 that provides state-of-the-art critical site infrastructure protection and cybersecurity surveillance services to both government and commercial clients. CNDS is headquartered in Tulsa.



- Cherokee Services Group, LLC (CSG) is a tribal limited liability company established in 2005 that provides professional staffing and other professional services to the federal government and, to a lesser extent, commercial customers. CSG has received 8(a) certification from the U.S. Small Business Administration. Headquartered in Tulsa, Oklahoma, CSG has a regional office in Fort Collins, Colorado and 22 additional offices nationwide.
- Cherokee Nation Technologies, LLC (CNT) is a tribal limited liability company that provides professional staffing and other professional services to the federal government and, to a lesser extent, commercial customers since 2009. The company is headquartered in Tulsa, Oklahoma, with a regional office in Fort Collins, Colorado and client locations nationwide.
- Cherokee Nation System Solutions, LLC (CNSS) is a tribal limited liability company formed in 2016 that provides professional staffing and other professional services to the federal government and, to a lesser extent, commercial customers. CNSS is headquartered in Tulsa.

### **Consulting Sector**

- Cherokee Nation Government Solutions, LLC (CNGS) is a tribal limited liability company that provides professional/technical services and project support to a broad list of government and commercial clients since 2011. With over 400 employees, CNGS locates specific candidates for rapid response requests in areas including science, engineering, construction, information technology, research and development, facilities management, program management and mission support. CNGS is headquartered in Tulsa.
- Cherokee Nation Technology Solutions, LLC (CNTS) is a tribal limited liability company headquartered in Tulsa that provides professional/technical services and project support to a broad list of government and commercial clients. CNTS specializes in locating hard to find candidates for rapid response requests throughout the country. It provides a tailored management approach for complex government programs and disciplines including information technology, science, engineering, construction, research and development, facilities management, program management and mission support.
- Cherokee Nation Management & Consulting, LLC (CNM&C) is a tribal limited liability company formed in 2013 and headquartered in Tulsa that provides program and project management solutions for government clients. CNM&C has expertise in a wide-range of technical disciplines including engineering, environmental, information and asset management, along with a variety of physical and life sciences.

### **Health Sciences Sector**

- Cherokee Nation Assurance, LLC (CNA) is a tribal limited liability company that provides technology solutions specializing in delivering information technology, management consulting, program support and professional support services created in 2011. CNA's full scope of computer and technology related services include enterprise architecture, application development, database administration, systems administration, networking, security compliance, configuration management, infrastructure services, video surveillance, and access control and professional IT services. CNA is headquartered in Tulsa.
- Cherokee Medical Services, LLC (CMS) is an Oklahoma limited liability company headquartered in Tulsa that provides employee staffing for the medical industry.

- Cherokee Nation Healthcare Services, LLC (CNHS) is a tribal limited liability company that provides employee staffing for the medical industry. CNHS is headquartered in Tulsa.
- Cherokee Nation Mission Solutions, LLC (CNMS) is an Oklahoma limited liability company that provides program management and health care staffing services primarily for government clients since its formation in 2013. The Company delivers management and support for a variety of programs and projects ranging from medical studies, analysis, research, wellness, telemedicine and clinical operations. CNMS promptly provides cost effective staffing of clinical, administrative, technical, and scientific professionals. CNMS is headquartered in Tulsa.
- Cherokee Nation Diagnostic Innovations, LLC (CNDI) is a tribal limited liability company formed in 2015 to provide innovative medical device and related technology solutions to commercial health care providers. CNDI is headquartered in Tulsa.

### **Environmental and Construction Sector**

- Cherokee Nation Construction Services, LLC (CNCS) is a tribal limited liability company formed in 2008 that provides construction-related services, including general contracting, oversight of construction projects and safety training. CNCS has offices in Tulsa, Oklahoma and Dover, Delaware.
- Cherokee Nation Support, Service, and Solutions, LLC (CN3S) is a tribal limited liability company that provides staffing services in the education industry as well as logistics and distribution for the aviation industry since 2012. CN3S is headquartered in Tulsa, Oklahoma.
- Cherokee Nation Environmental Solutions, LLC (CNES) is a tribal limited liability company that provides environmental services for both commercial and government clients formed in 2013. CNES is based in Tulsa, Oklahoma.
- Cherokee Nation Mechanical, LLC (CNM) is tribal limited liability company formed in 2016 to provide construction management and HVAC services primarily to commercial customers. CNM is based in Tulsa.
- Cherokee Nation Facilities Management, LLC (CNFM) is a tribal limited liability company headquartered in Tulsa that provides facilities management services to government and commercial clients and, to a lesser extent, commercial customers which was formed in 2013.

### **Engineering and Manufacturing Sector**

- CND, LLC (CND) is an Oklahoma limited liability company that provides production, distribution and assembly of electronic component parts and wiring systems primarily for commercial customers. CND is based in Stilwell, Oklahoma.
- Cherokee Nation Red Wing, LLC (CNRW) is a tribal limited liability company that provides kitting, manufacturing and program management for various cable, wire, panel, box, avionics and engine assemblies primarily for commercial customers. CNRW was acquired in February 2009 and reorganized as a limited liability company. CNRW operates out of 15,000+ square feet of expandable manufacturing space on seven acres in Pryor, Oklahoma as well as a presence in Tulsa.
- Cherokee Nation Metalworks, LLC (CNMW) is a tribal limited liability company formed in 2011 that provides precision CNC machining, metal forming and manufacturing of metal fabricated details and electromechanical components for commercial customers. CNMW

operates out of 20,000+ square feet of expandable machining space on seven acres in Pryor, Oklahoma.

- Cherokee Nation Aerospace & Defense, LLC (CNAD) is a tribal limited liability company based in Stilwell, Oklahoma that manufactures and integrates electromechanical assemblies primarily for commercial customers since its formation in 2008.

### **Logistics and Distribution Sector**

- Cherokee Nation Industries, LLC (CNI) is a tribal limited liability company that is a value-added reseller providing end-to-end distribution services and warehousing for some of the world's largest businesses in the telecommunications and electronics industry. CNI was established in 1969 to meet the need for business development and to generate revenue which helps the Nation and its members move toward economic self-sufficiency. CNI is headquartered in Stilwell, Oklahoma.
- Cherokee Nation Office Solutions, LLC (CNOS) is a tribal limited liability company formed in 2008 that distributes office products and supplies on behalf of Staples. CNOS is based in Pryor, Oklahoma.

### **Other CNB Companies**

- Cherokee Nation Property Management, LLC (CNPM) is a tribal limited liability company that conducts real estate acquisitions and development for CNB. CNPM was formed in 2010 and is headquartered in Catoosa, Oklahoma.
- Cherokee Nation Construction Resources, LLC (CNCR) is a tribal limited liability company that constructs health care facilities for the Nation as well as single-family homes. CNCR is headquartered in Tulsa, Oklahoma and was formed in 2013.
- Cherokee Nation Hospitality Consulting, LLC (CNHC) is a tribal limited liability company formed in 2015 that provides gaming and hospitality as well as casino management services. CNHS is headquartered in Catoosa, Oklahoma.
- Cherokee Nation Blue Ribbon Downs Training, LLC (BRDT) is a tribal limited liability company formed in 2015 to provide management of a horse racing training facility in Sallisaw, Oklahoma.
- CNB, through its affiliates, Cherokee Nation Management Corporation (CNMC), an Oklahoma corporation, and CNB Economic Development Company, LLC (EDC), an Oklahoma limited liability company, participates in the New Market Tax Credit (NMTC) Program established by Congress in 2000 to spur new or increased investments into operating businesses and real estate projects located in low-income communities. Under the NMTC Program, CNB was allocated the authority to issue \$60,000,000 of qualified equity investments (QEI), which are funded through investments and loans from third parties. Third parties providing equity investments for the QEIs receive the right to claim, over a period of seven years, NMTCs equivalent to a total of 39% of the total QEI (including loaned funds). As of September 30, 2016, \$60,000,000 of the allocation had been sub-allocated to eligible projects.
- CNB also holds interests in two investments, Cherokee CRC, LLC (CCRC) and Aerospace Products S.E., Inc. (APSE), as follows:

- CCRC is a tribal limited liability company formed in March 2005 that provides environmental and other services primarily to federal customers. CNB owns 51% of CCRC and accounts for the investment at estimated fair market value. The targeted business of CCRC, a Tribal-owned firm, is to engage in the business of providing services to customers in the businesses described as 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. During the year ended September 30, 2016, CNB recognized earnings (loss) from CCRC totaling \$155,000 and received distributions of \$459,000. CNB's investment in CCRC at September 30, 2016 was \$1,584,000.
- APSE was formed in 1987 in Huntsville, Alabama and is a distributor of aerospace fasteners and a provider of supply chain services. CNB owns 75% of the stock of APSE and accounts for its investment in APSE at estimated fair market value. APSE is a distributor of aerospace fasteners and a provider of supply chain services. APSE is headquartered in Huntsville and has offices in San Antonio, Texas and Wichita, Kansas. During the year ended September 30, 2016, CNB recognized earnings from APSE totaling \$112,000 and received no distributions. CNB's investment in APSE at September 30, 2016 was \$5,420,000.

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

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

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

Cherokee Nation Comprehensive Care Agency (CNCCA) — CNCCA, a tribal governmental agency, was created to facilitate various Nation 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 and confirmed by the Tribal Council. Based on the foregoing criteria and in compliance with the provisions of GASB No. 61, CNCCA is included in the Nation's financial report as a discrete component unit. Separately issued financial statements for CNCCA may be obtained from CNCCA's office. CNCCA currently has one initiative, which is the Program of All-Inclusive Care for the Elderly (PACE).

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

Cherokee Nation Home Health Services, Inc. (CNHHS) — CNHHS, a tribal corporation, was organized for the purpose of engaging in home health care services. CNHHS is a discretely presented component unit of the Nation. Board members of CNHHS are appointed by the Nation's Principal Chief and approved by the Nation's Tribal Council. The CNHHS primarily earns revenues by providing home health, hospice and other services to residents of Adair, Cherokee, Delaware, Mayes, Muskogee, Sequoyah and Wagoner counties, Oklahoma, and the surrounding area. Separately issued financial statements for CNHHS may be obtained from CNHHS's corporate office.

Cherokee 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 Nation. CNWM completed construction of a new waste cell and opened for operations in November of 2009. The CNWM Board of Directors are appointed by the Principal Chief and confirmed by Tribal Council; therefore, for reporting purposes, CNWM is included as a discretely presented component unit of the Nation.

On June 14, 2016, the Nation authorized the assignment of assets, liabilities and operations of CNWM to the Nation as part of its long-term strategic operation of the landfill. The transaction was accounted for as a transfer of operations consistent with the reporting requirements of GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. The Nation received approximately \$1,410,000 of current assets, \$2,112,000 of capital assets, \$761,000 of current liabilities, \$856,000 of long-term liabilities and \$1,905,000 of net position. The landfill operations are now accounted for in the CN Sanitary Landfill fund, a non-major enterprise fund of the Nation. Additionally, there were no significant adjustments necessary to the assets or liabilities of CNWM to bring them into conformity with the accounting policies of the Nation.

Cherokee Health Partners, LLC (CHP) — CNCCA and the Tahlequah Hospital Authority (THA), an unrelated entity, entered into a joint venture on September 28, 2004, to create CHP which was 51% owned by CNCCA. CHP provides cardiac and other imaging services to residents of Tahlequah, Oklahoma and the surrounding area and is located in the Northeastern Health System. On May 12, 2014, CNCCA transferred their ownership to the Nation. The Managers selected by the Class Member A, the Nation, are appointed by the Principal Chief and confirmed by the Tribal Council. Based on the foregoing criteria and in compliance with the provisions of GASB No. 61, CHP is included in the Nation's financial report as a discrete component unit. During 2015, CHP purchased a 95% ownership in the Northeast Oklahoma Heart Center, LLC (NOHC). NOHC is a limited liability company organized under the Oklahoma Limited Liability Act in July 2005. NOHC provides cardiovascular management services to the THA. As a result of the ownership interest acquired, the operations of NOHC have been consolidated in the accompanying consolidated financial statements. All information included in the Nation's financial statements for CHP is as of and for the fiscal period ended June 30, 2016. Separately issued financial statements for CHP may be obtained from CHP's office. CHP directly holds a joint venture interest in Northeastern Oklahoma Diagnostics, LLC as described below:

Northeastern Oklahoma Diagnostics, LLC (NOD) — NOD, formerly Tahlequah Diagnostic Imaging, LLC, was established in December 2002, to provide MRI, CT, hyperbaric and other imaging equipment previously provided by the THA. In its general appeal to capture all the business formerly provided by the THA, NOD solicits to serve everyone in the community. CHP has a 20% ownership in NOD. CHP

used the equity method to account for the joint venture investment in NOD. CHP has recognized its proportionate share of NOD's distribution of approximately \$130,000 for the joint venture at June 30, 2016. CHPS's investment in NOD at June 30, 2016 was \$312,000.

Cherokee Nation Foundation (CNF) — CNF, formerly doing business as Cherokee Nation Education Corporation was incorporated in 1998, as a nonprofit corporation under Title 18 of the Cherokee Nation Code Annotated and has been granted tax-exempt status under Section 501(c)3 of the Internal Revenue Code. CNF is organized exclusively for charitable and educational purposes to encourage and promote educational opportunities to enrolled adult and minor citizens of the Nation and any other federally recognized tribe, to promote and preserve the Cherokee language, culture and history of the Cherokee people, and to make distributions to corporations and individuals or on behalf of community groups. The board of directors and the Executive Director conducts a search for board members who have experience reflective of the mission of the organization. Once the board has approved a potential candidate to the board of directors, the nomination is submitted to the Principal Chief and then Tribal Council for approval. Based on the foregoing criteria and in compliance with the provisions of GASB No. 61, CNF is included in the Nation's financial report as a discrete component unit. All information included in the Nation's financial statements for CNF is as of and for the fiscal period ended December 31, 2015. Separately issued financial statements for CNF may be obtained from CNF's corporate office.

Cherokee National Historical Society, Inc (CNHS) — CNHS is an educational, cultural and charitable membership nonprofit organization originally incorporated under the laws of the State of Oklahoma in 1963 and is recognized as a 501(c)3 nonprofit organization by the Internal Revenue Service (IRS). The mission of CNHS is to preserve, promote and teach Cherokee history and culture. CNHS operates a museum displaying Native American artifacts and other historical and cultural exhibits, and a historically recreated Cherokee Village. The Tsa-La-Gi complex and the principal offices are located in Park Hill, Oklahoma. CNHS is governed by a Board of Trustees comprised of not less than twelve (12) or more than thirty (30) voting members. The Committee on Board Management is responsible for the comprehensive and objective research for potential Board members and will recommend for nomination those candidates when there are openings on the Board. Nominations are subject to approval of voting members of the Board of Trustees at any regular or special meeting of the governing board. Based on the foregoing criteria and in compliance with the provisions of GASB No. 61, CNHS is included in the Nation's financial report as a discrete component unit. All information included in the Nation's financial statements for CNHS is as of and for the fiscal period ended December 31, 2015. Separately issued financial statements for CNHS may be obtained from CNHS's corporate office.

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

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

#### *Blended Component Units*

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

Cherokee Nation Economic Development Trust Authority — The Economic Development Trust Authority (EDTA) is a Community Development Financial Institution, as certified by the U.S. Treasury Department. Cherokee Nation EDTA was created by Tribal Council Legislative Act 36-89 as a mechanism to promote

economic development. Its mission is to provide opportunities for income generation through economic development, to provide loans for business creation/expansion, and to provide loans to qualified individuals whom have traditionally been denied through conventional lending sources. EDTA is a governmental organization created as a separate body whose Board of Directors is appointed by the Principal Chief and confirmed by the Tribal Council even though EDTA's governing board is not the same as the Tribal Council. The Nation has the ability to appoint, hire, reassign or dismiss the individuals responsible for management of the programs. EDTA almost exclusively benefits the Nation as its largest activity is the operation of an employee loan program for employees of the Nation and its component units. EDTA is presented as a proprietary fund in the accompanying financial statements.

Cherokee Nation law requires that all corporations, majority owned by the Nation, and incorporated under Cherokee Nation law pay a dividend based on net income. The dividend rate was 35% for fiscal year 2016. CNB's minimum dividend requirement is determined at the combined CNB reporting level which has been implemented as the higher of CNB's or any of CNB's Component Units' Net Income. Dividends paid to the Nation and other related party transactions are discussed further in Note 17.

#### *Government-wide Financial Statements*

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

#### *Fund Financial Statements*

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

#### *Governmental Funds*

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

#### *General Fund*

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

#### *Special Revenue Funds*

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

Self Governance-DOI-Roads was established to account for funds received from the DOI to expand the Nation's transportation activities such as planning, designing, constructing, and maintaining transportation facilities. Roads constructed with DOI funds are not capitalized by the Nation as they are transferred to other governmental agencies upon completion. These expenditures are generally presented as community services expenditures in the accompanying financial statements.

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

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

Housing and Urban Development was established to account for grant funds received from the Department of Housing and Urban Development (HUD) to improve living conditions and renovate homes of Indian residents. During fiscal year 2016, the majority of the program expenditures were in the form of subrecipient payments to the HACN, a discretely presented proprietary component unit of the Nation. These expenditures are generally presented as community services expenditures in the accompanying financial statements.

#### *Capital Projects Funds*

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

#### *Debt Service Funds*

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

#### *Permanent Funds*

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

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



The amount of net appreciation on the investment of the Sequoyah Endowment is \$78,000 which is the available amount reflected in the fund balance.

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

The Skinner Family Living Trust was established in fiscal year 2015 by a willed contribution of \$110,000 to be used for youth development projects. Income from the trust is used to provide support for youth development projects. The Nation received an additional contribution from the Skinner Family during fiscal year 2015 of \$19,000. The Nation requested permission from the Trustee to use the funds provided by the Skinner Family Living Trust to make repairs on the John A. Ketcher Youth Shelter in Tahlequah, Oklahoma. The Trustee released the funds from a permanent fund status during the fiscal year to allow these repairs as they were needed to provide adequate support for the youth development projects. The Skinner Family Living Trust funds were transferred to the General Fund during the year and no longer has an investment at September 30, 2016.

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

#### *Proprietary Funds*

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

The enterprise funds are proprietary funds that are used to report activities for which a fee is charged to external users. The Nation accounts for its Title VI Loan Fund, Tsa-La-Gi Apartments, CN Sanitary Landfill, and Economic Development Trust Authority (EDTA) activities in these funds. The Nation's only major enterprise fund is as follows:

The Title VI Loan Fund was established to account for borrowing and lending activities related to the United States Department of Housing and Urban Development Title VI loan agreement, the proceeds of which are obtained from federal government guaranteed bank financing and subsequently loaned to the HACN, a component unit of the Nation.

Internal service funds are used to report activities which provide goods or services to other funds, departments, or agencies of the primary government and its component units, or to other governments, on a cost-reimbursement basis. The Nation includes services such as internal leases, fringe pool, and indirect cost pool in these funds. Substantially all of the internal service funds' net position and activities are combined with the governmental activities in the government-wide financial statements. The fringe pool had a net position deficit at September 30, 2016 of \$6,799,000. The Nation continues to evaluate the cost-reimbursement allocation for the fringe pool and continues to reduce the cost of certain fringe benefits. Note disclosures for governmental activities also include related amounts for the internal service funds.

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

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

#### *Measurement Focus*

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

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

#### *Basis of Accounting*

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

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

#### *Accounting Policies*

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

##### *Cash and Cash Equivalents*

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

##### *Restricted Cash, Cash Equivalents and Investments*

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

### *Investments*

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

### *Accounts Receivable*

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

### *Inventories*

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

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

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

CNB's inventories are stated at the lower of cost or market and consist primarily of raw materials and manufactured products, durable medical equipment, food and beverage items, gaming supplies, hotel supplies, smoke shop, convenience store and gift shop inventory. Costs of raw materials and manufactured products are determined using the specific identification method. Inventories are evaluated periodically, and reserves are established as needed to provide for reduced values attributed to slow moving and/or obsolete inventories. Costs of supplies are determined by an average cost method. Average costs are updated to the most recent purchase price each quarter. The average cost method used is not considered to be significantly different from the first-in, first-out method. Serialized durable medical equipment is recognized as cost of supplies over the contract life of the product.

As a result of the operation of the Title VI Loan program, the HACN had authorized to be built or acquired a number of homes in various locations in anticipation of the expected demand for the homes as well as homes for specific homebuyers in accordance with an agreement with them. As of September 30, 2016, these homes and related infrastructure are awaiting transfer of title to the HACN. Until the official transfer is made, the net book value of the homes, in the amount of \$1,432,000 is classified by the Nation as capital assets, depreciable, net in the government-wide statement of net position.

### *Other Current Assets*

Amounts represent prepayments for supplies, pharmaceuticals and other expenditures.

### *Derivative Instruments*

Derivative instruments are complex financial arrangements used to manage specific risks or to make investments and are measured at fair value in the government-wide Statement of Net Position. During the fiscal year 2010, the Nation entered into an interest rate swap agreement (derivative instrument) with a financial institution. During the fiscal year 2016, the Nation entered into an interest rate swap agreement (derivative instrument) with a financial institution. See Note 10 for additional information concerning these interest rate swap agreements.

### *Equity Interests in Component Units*

The Nation records its equity interests in component units that exist to enhance the government's ability to provide governmental services in accordance with GASB Statement Number 61. As of September 30, 2016, the Nation held an equity interest in CNB, CNHHS and CHP in the amount of \$775,365,000 and reflected an increase over the prior year of \$48,999,000. Detailed financial statements for the entities can be found on pages 34 and 35.

### *Capital Assets*

The Nation's accounting policies regarding capital assets such as land improvements, buildings, vehicles and equipment are that these assets, with an initial cost of \$5,000 or more, are to be capitalized and depreciated over their estimated useful lives. Purchased or constructed capital assets are valued at historical cost or estimated historical cost. Donated capital assets 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. When land is placed into trust status, the title to the property is transferred to the Federal Government. Under GAAP, this land is removed from the books of the Nation or its component units since the Nation no longer has title to the land. At September 30, 2016, there were various parcels of land owned by the Nation and its component units that the Nation has requested to be placed into trust status. The cost basis of this land will be written off by the Nation when, and if, the property is accepted into trust status.

### *Intangible Assets*

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

### *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Nation has one item that qualifies for reporting in this category which is the accumulated decrease in fair value of hedging derivative. The accumulated decrease in fair value of the hedging derivatives result from the interest rate swap agreements having a negative fair value of \$3,296,000. More information can be found in Note 10.

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

#### *Fund Financial Statements*

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

#### *Unearned Revenues*

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

#### *Landfill Closure and Postclosure Care Costs*

The Nation, based on the cumulative amount of used capacity, accrues the currently estimated liability for closure and postclosure care costs for the Nation's landfill. Such estimated costs include expected equipment and facility costs, costs of the final cover and postclosure care. The liability recorded by the Nation at September 30, 2016 is based upon the assumption that the Landfill will be operated by the Nation to its full designed capacity.

#### *Taxes*

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

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

CNE, a blended component unit of CNB, pays a gaming tax based on certain gross revenues pursuant to provisions of the National Indian Gaming Regulatory Act. Amounts owed under the gaming tax are paid to the National Indian Gaming Commission (NIGC) on a quarterly basis and have been reflected within operating expenses in the Statement of Revenues, Expenses, and Changes in Net Position. Total payments for fiscal year 2016 were approximately \$298,000.

#### *Compensated Absences*

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

On the governmental funds statements, compensated absences are only accrued if the obligation has matured, in other words, the obligation becomes due and payable because of employee resignation, employer buy back or employee retirement.

Upon request from the employee and approval by the supervisor and Human Resources, the Cherokee Nation annually buys back designated amounts of accrued annual leave from Regular/Full Time and Regular/Part Time employees, subject to restrictions based on funding agency guidelines as well as fund availability. In fiscal year 2016, the Cherokee Nation bought back \$1,965,000 of accrued annual leave.

#### *Net Position Classifications*

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

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

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

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

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

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

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

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

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

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

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

#### *Revenue Recognition*

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

#### *Program Revenues*

There are three classifications of programmatic revenues for the Nation, program specific grant and contributions revenue (operating and capital) and charges for services. Grant revenues are revenues from federal, state, and private grants. These revenues are recognized when all applicable eligibility requirements are met and are reported as intergovernmental revenues. The primary source of charges for services is earned income in connection with the operation of the Nation's W.W. Hastings Hospital, clinics and other health-related services, which are funded by the Department of Health and Human Services (DHHS) Self Governance Compact. Under the provisions of the Self Governance Agreement with DHHS, the Nation is required to expend this program income for purposes similar to those funded by the basic DHHS Self Governance Compact. There are no specific requirements designating when or in what order program and other self governance funds should be spent. Program income earned from clinic and other health-related services in the form of third party billed revenue during the year ended September 30, 2016 was \$104,580,000.

#### *Grants and contributions not restricted to specific programs*

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

#### *Operating and Nonoperating Revenues and Expenses*

In the Proprietary Funds and component units, operating revenues are those revenues produced as a result of providing services and producing and delivering goods, including all interest income on loan transactions and other events. Nonoperating revenues are funds primarily provided by investing activities, such as financial institution interest income, gains on disposal of assets and insurance recoveries on property loss. Operating expenses are those expenses related to the production of revenue. Nonoperating expenses are those expenses not directly related to the production of revenue, and include items such as interest expense and losses on disposal of assets.

#### *Interest Income*

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

#### *Interest Income - Self Governance Compacts*

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

### *Interest Income - Grants*

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

### *Internal Activities*

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

### *Indirect Costs*

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

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

### *Budgets and Budgetary Accounting Policies*

Title 62, §31-32 provides the legal level of budgetary control for the Cherokee Nation. The Executive and Finance Committee of the Council, upon direction of the Treasurer and with advisement from the Controller, shall formulate an annual appropriations bill. The bill shall contain the legal budgeted annual revenue and expenditures/expenses for the general fund and enterprise funds for the executive, legislative, and judicial branches of government. The functional level (e.g. health services) is used for reporting the legal level of budgetary control. The sources of revenue may be based upon estimates. The budgeted expenditures/expenses for these funds shall not exceed total estimated revenues and beginning fund balance and net position. The Executive and Finance Committee of the Council, upon direction of the Treasurer and with advisement from the Controller, shall be responsible for proposing amendments to the annual appropriations law based upon material changes in real or estimated revenues and expenditures/expenses that affect the total amounts budgeted. Management budgets are developed at the accounting unit level. Any amendments to the annual appropriations bill shall be presented to the full Tribal Council for consideration and passage. Any funds received by the Cherokee Nation, the use of which is determined by the granting or contracting agency (special revenue funds) shall be used only for those purposes and under those conditions for which the funds are made available and such funds are not subject to legal appropriation by the Tribal Council.

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

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



*Management Estimates*

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

**2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

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

The governmental funds balance sheet includes a reconciliation of total fund balances of the governmental funds to the total net position of the governmental activities in the Statement of Net Position. One element of that reconciliation explains that “capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore are not reported in the funds.” The details of this \$210,625,000 capital assets used in governmental activities are as follows (dollars in thousands):

Capital assets, net	\$ 221,491
Less: Internal service fund capital assets	<u>(10,866)</u>
Capital assets used in governmental activities	<u>\$ 210,625</u>

Another element of the reconciliation is the amount of \$1,587,000 which states “Assets recorded in government-wide financial statements that are not available to pay for current period expenditures, therefore, are unavailable and not recorded in the funds.” (dollars in thousands)

Notes receivable, net - Self Help Housing	<u>\$ 1,587</u>
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Additionally, an element of that reconciliation explains “Liabilities that are not due and payable in the current period and, therefore, not reported in the funds.” The details of this \$28,990,000 difference are as follows (dollars in thousands):

Long-term debt	\$ 28,804
Accrued bond interest	<u>186</u>
Net adjustment to decrease fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ 28,990</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 position of governmental activities reported in the Statement of Activities is presented in the accompanying basic financial statements.

One element of this reconciliation explains “Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.” The details of this \$1,054,000 difference are as follows (dollars in thousands):

Capital expenditures in governmental funds capitalized on government-wide financial statements	\$ 16,217
Depreciation expense	<u>(15,163)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 1,054</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 \$282,000 difference are as follows (dollars in thousands):

Additional capital outlay expense and loss on disposal	\$ (44)
Other	(250)
Bond interest expense	<u>12</u>
Net adjustment to decrease changes in fund balance - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (282)</u>

### 3. DEPOSITS AND INVESTMENTS

#### *Deposits*

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

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

Deposits of the primary government are generally insured or covered by pledged collateral. At September 30, 2016, all deposits were insured or collateralized and held by various safe-keeping agents in the Nation's name. Component units' deposits of \$379,000 at September 30, 2016 were uninsured and uncollateralized.

### *Investments*

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

CNB's investment policy restricts investment maturities to a period of five years or less. CNB and its component units' interest rate risk was minimized by the highly liquid nature of its money market investment accounts at September 30, 2016.

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

Concentration of credit risk is the risk of loss attributed to the magnitude of the Nation's investment in a single issuer. The Nation's investment policy does not specifically address concentration of credit risk. Of the total primary government's investments, \$1,467,000, or 11%, is invested in Fannie Mae securities, \$100,000, or 1%, is invested in Federal Home Loan Mortgage Corporation and \$3,704,000 or 29%, is invested in Federal Home Loan Bank securities, \$3,756,000 or 29%, is invested in Federal Agricultural Mortgage Corporation and \$3,884,000 or 30% is invested in Federal Farm Credit Banks.

### *Investments Measured at Fair Value*

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

The Nation has the following recurring fair value measurements as of September 30, 2016:

- U.S. Treasury money market mutual funds of \$186,000 are valued using quoted market prices (Level 1 inputs).
- Repurchase agreements of \$3,037,000 are valued using quoted market prices (Level 1 inputs).
- U.S. Government sponsored entities of \$12,911,000 are valued using quoted market prices (Level 1 inputs).
- Interest rate swap agreements are valued at estimated fair value (Level 2 inputs). See Note 10 for more information.

The component units have the following recurring fair value measurements as of September 30, 2016:

- Money market mutual funds of \$74,979,000 are valued using quoted market prices (Level 1 inputs).
- Investment in joint ventures of \$7,004,000 are valued at estimated fair value (Level 3 inputs).

Investments, categorized as to interest and credit risk, at September 30, 2016 were as follows (dollars in thousands):

<b>Investment Type</b>	<b>Investment Maturities (in Years)</b>					<b>Credit Rating Moody's/S&amp;P</b>
	<b>Fair Value</b>	<b>Less Than 1</b>	<b>1 - 5</b>	<b>6 - 10</b>	<b>More Than 10</b>	
<b>Primary Government:</b>						
Money market mutual fund	\$ 186	\$ 186	\$ -	\$ -	\$ -	(1)
Repurchase agreements	3,037	3,037	-	-	-	N/R
U.S. Government sponsored entities	12,911	-	-	12,809	102	Aaa/AA+
<b>Total Primary Government</b>	<b>\$ 16,134</b>	<b>\$ 3,223</b>	<b>\$ -</b>	<b>\$ 12,809</b>	<b>\$ 102</b>	
<b>Component Units:</b>						
Money market mutual funds	\$ 74,979	\$ 74,979	\$ -	\$ -	\$ -	(1)
Mutual funds	551	-	551	-	-	(1)
U.S. Government sponsored entities	528	-	528	-	-	Aaa/AA+
Repurchase agreement	1,200	1,200	-	-	-	AAA
<b>Total Component Units</b>	<b>\$ 77,258</b>	<b>\$ 76,179</b>	<b>\$ 1,079</b>	<b>\$ -</b>	<b>\$ -</b>	

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

A reconciliation of the investments for the Primary Government presented above to the investments as presented in the Statement of Net Position follows (in thousands):

Investments as presented above	\$ 16,134
Plus Certificates of Deposit reported as investments	50,663
Less Money market mutual fund and Repurchase agreements reported as Cash & Cash Equivalents & Investments	<u>(3,223)</u>
<b>Total investments</b>	<b>\$ <u>63,574</u></b>

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

Investments as presented on previous page	\$ 77,258
Plus Certificates of Deposit reported as investments	4,384
Less Money market mutual funds and mutual funds reported as Restricted Cash & Cash Equivalents & Investments	<u>(75,721)</u>
Total investments	<u>\$ 5,921</u>

*Restricted Cash, Cash Equivalents and Investments*

Restricted cash, cash equivalents and investments and reserved cash at September 30, 2016 included the following (dollars in thousands):

Primary Government

Tenant security deposits held in trust, replacement reserves and mortgage escrow deposits for Tsa-La-Gi	\$ 333
Capital replacement, closure and postclosure care costs of the Landfill Closure fund	2,973
Balance in Motor Fuel Tax Education Trust	41,411
Scholarship funds and youth development projects	632
Balance of funds accumulated for Debt service payments	186
District Court escrow account	<u>11</u>
Total Primary Government restricted cash, cash equivalents and investments	<u>\$ 45,546</u>

Component Units

Escrow relating to the Title VI loan with a bank (see Note 8)	\$ 535
HACN's lease-to-own homeownership program monthly equity payments	3,826
Pari-mutuel horse racing activities funds	5,544
CNB cash related to federal grants	1,600
CNF endowment funds	74
CNHS endowment for capital improvements	<u>180</u>
Total Component Unit restricted cash, cash equivalents and investments	<u>\$ 11,759</u>

#### 4. RECEIVABLES

Receivables for primary government at September 30, 2016 consisted of the following (dollars in thousands):

	<b>Primary Government</b>				
	<b>Accounts Receivable</b>				
	<b>Grants &amp; Contracts Receivable</b>	<b>Accounts Receivable</b>	<b>Interest Receivable</b>	<b>Total</b>	<b>Notes Receivable</b>
Governmental Receivables:					
General					
Motor fuel taxes	\$ -	\$ 2,292	\$ 67	\$ 2,359	\$ -
Other taxes	-	122	-	122	-
Other accounts receivable	-	10,177	-	10,177	-
Special Revenue Funds	5,278	19,958	105	25,341	1,587
Other - Internal Service Funds	-	380	-	380	-
Receivables of Governmental Activities	<u>\$ 5,278</u>	<u>\$ 32,929</u>	<u>\$ 172</u>	<u>\$ 38,379</u>	<u>\$ 1,587</u>
Business-type Activities:					
CN Sanitary Landfill	\$ -	\$ 184	\$ -	\$ 184	\$ -
Notes receivable, current	-	-	-	-	3,486
Long-term notes receivable	-	-	-	-	7,992
	-	184	-	184	11,478
Less: Allowance for uncollectables	-	-	-	-	(345)
Receivables of Business-type Activities	<u>\$ -</u>	<u>\$ 184</u>	<u>\$ -</u>	<u>\$ 184</u>	<u>\$ 11,133</u>

Other accounts receivable includes the BIA Contract Support and Indirect Cost Settlement. The BIA Contract Support and Indirect Cost Settlement relates to the resolution of certain claims submitted in prior years for the nonpayment of contract support costs (including indirect costs) by the Bureau of Indian Affairs (BIA) during fiscal years 1994 through 2013. These claims were the subject of various administrative and legal proceedings over the last several years. The Nation accrued payment in the amount of \$8,349,000. The Nation reflected the revenue related to the settlement in the accompanying government-wide statement of activities and in the General Fund of the fund statements as a general revenue – litigation settlement.

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

Receivables for component units at September 30, 2016 shown on the following page consisted of the following (dollars in thousands):

	Component Units							Total
	CNB	HACN	CNCCA	CNHHS	CHP	CNF	CNHS	
Receivables:								
Accounts and other	\$ 88,518	\$ 404	\$ 177	\$ 695	\$ 1,042	\$ -	\$ 20	\$ 90,856
Interest	-	448	-	-	-	-	-	448
Notes	1,219	15,995	-	-	-	-	-	17,214
	1,219	16,443	-	-	-	-	-	17,662
Less: Allowance for uncollectables	(141)	-	(5)	(92)	(202)	-	-	(440)
Receivables, net	\$ 89,596	\$ 16,847	\$ 172	\$ 603	\$ 840	\$ -	\$ 20	\$ 108,078

#### *Mortgages Receivable – Title VI*

HACN has mortgages receivable at September 30, 2016 totaling \$15,458,000 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, 2016 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, 2016, the current and noncurrent portions of these mortgages receivable were \$525,000 and \$14,933,000, respectively. The Nation has a related note receivable from HACN recorded in its Business-type Activities reported as notes receivable and long-term notes receivable in the statement of net position.

## 5. INTERFUND TRANSFERS AND BALANCES

Interfund transfers for the year ended September 30, 2016 consisted of the following (dollars in thousands):

Category and Fund	Transfers from Other Funds	Transfers to Other Funds
Governmental Activities:		
Governmental Funds:		
General	\$ 367	\$ (7,886)
Self Governance DOI Roads	-	(25)
Department of Transportation	-	(57)
Self Governance DHHS	576	(700)
Housing & Urban Development	49	(123)
Capital Projects Fund	5,000	(150)
Nonmajor Governmental Funds	2,768	(985)
Total Governmental Funds	8,760	(9,926)
Internal Service Funds	229	-
Total Governmental Activities	8,989	(9,926)
Business-type Activities:		
Proprietary Funds:		
Nonmajor Enterprise Funds	937	-
Total Proprietary Funds	937	-
Total Business-type Activities	937	-
Total Primary Government	\$ 9,926	\$ (9,926)

Reconciliation to government-wide Statement of Activities:

Governmental Activities:		
Transfers In	\$	8,989
Transfers Out		<u>(9,926)</u>
Net Transfer Governmental Activities		<u>\$ (937)</u>
Business-type Activities:		
Transfers In	\$	937
Transfers Out		<u>-</u>
Net Transfer Business-type Activities		<u>\$ 937</u>

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

Interfund balances at September 30, 2016 consisted of the following (dollars in thousands):

Category and Fund	Due from Other Funds	Due to Other Funds
Governmental Activities:		
Governmental Funds:		
General	\$ 111	\$ 16,441
Self Governance DOI Roads	-	130
Department of Transportation	-	1,661
Self Governance DHHS	-	157
Housing & Urban Development	3,454	-
Capital Projects Fund	7,227	1,486
Nonmajor Governmental Funds	955	9,475
Total Governmental Funds	<u>11,747</u>	<u>29,350</u>
Internal Service Funds	<u>20,078</u>	<u>2,743</u>
Total Governmental Activities	<u>31,825</u>	<u>32,093</u>
Business-type Activities:		
Proprietary Funds:		
Title VI Loan Fund	-	470
Nonmajor Enterprise Funds	813	75
Total Proprietary Funds	<u>813</u>	<u>545</u>
Total Business-type Activities	<u>813</u>	<u>545</u>
Total Primary Government	<u>\$ 32,638</u>	<u>\$ 32,638</u>



Reconciliation to government-wide Statement of Net Position:

Governmental Activities:

Due from Other Funds	\$	31,825	
Due to Other Funds		<u>(32,093)</u>	
Net Internal Balances			<u>\$ (268)</u>

Business-type Activities:

Due from Other Funds	\$	813	
Due to Other Funds		<u>(545)</u>	
Net Internal Balances			<u>\$ 268</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.

## 6. INVENTORIES

The Nation's inventories were comprised of the following at September 30, 2016 (dollars in thousands):

	<b>Governmental Funds</b>	<b>Internal Service Funds</b>	<b>Component Units</b>
Finished goods and raw materials	\$ -	\$ -	\$ 37,723
Food for distribution	1,042	-	-
Pharmaceuticals and supplies	<u>3,538</u>	<u>152</u>	<u>415</u>
	4,580	152	38,138
Less inventory reserves	<u>-</u>	<u>-</u>	<u>(5,892)</u>
Total inventories	<u>\$ 4,580</u>	<u>\$ 152</u>	<u>\$ 32,246</u>

The majority of the component unit inventory at September 30, 2016 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.

## 7. CAPITAL ASSETS

A summary of capital assets activity by major class, for the year ended September 30, 2016 follows (dollars in thousands):

### Governmental Activities

	<u>Balance,</u> <u>September 30,</u> <u>2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance,</u> <u>September 30,</u> <u>2016</u>
<b>Activity by Major Class</b>				
Capital assets, not being depreciated:				
Land	\$ 19,098	\$ 663	\$ -	\$ 19,761
Construction in process	2,047	10,641	-	12,688
Total capital assets, not being depreciated	<u>21,145</u>	<u>11,304</u>	<u>-</u>	<u>32,449</u>
Capital assets being depreciated:				
Buildings and improvements	187,169	17,765	(1,000)	203,934
Equipment	81,897	4,331	(3,720)	82,508
Land improvements	854	264	-	1,118
Total capital assets being depreciated	<u>269,920</u>	<u>22,360</u>	<u>(4,720)</u>	<u>287,560</u>
Less accumulated depreciation for:				
Buildings and improvements	(32,988)	(5,578)	178	(38,388)
Equipment	(53,451)	(9,543)	3,179	(59,815)
Land improvements	(271)	(42)	(2)	(315)
Total accumulated depreciation	<u>(86,710)</u>	<u>(15,163)</u>	<u>3,355</u>	<u>(98,518)</u>
Total capital assets being depreciated, net	<u>183,210</u>	<u>7,197</u>	<u>(1,365)</u>	<u>189,042</u>
Activity by major class capital assets, net	<u>\$ 204,355</u>	<u>\$ 18,501</u>	<u>\$ (1,365)</u>	<u>\$ 221,491</u>

Depreciation expense was charged to functions as follows:

Governmental activities:

Tribal Government	\$ 3,027
Health Services	10,529
Education Services	450
Human Services	378
Community Services	<u>779</u>
Total Governmental activities depreciation expense	<u>\$ 15,163</u>

**Business-type Activities**

	<b>Balance, September 30, <u>2015</u></b>	<b><u>Additions</u></b>	<b><u>Reductions</u></b>	<b>Balance, September 30, <u>2016</u></b>
Capital assets, not being depreciated:				
Land	\$ 81	\$ 155	\$ -	\$ 236
Capital assets being depreciated:				
Buildings and improvements	1,888	-	-	1,888
Equipment	-	1,764	-	1,764
Total capital assets being depreciated	<u>1,888</u>	<u>1,764</u>	<u>-</u>	<u>3,652</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,583)	(48)	-	(1,631)
Equipment	-	(40)	-	(40)
Total accumulated depreciation	<u>(1,583)</u>	<u>(88)</u>	<u>-</u>	<u>(1,671)</u>
Total capital assets being depreciated, net	<u>305</u>	<u>1,676</u>	<u>-</u>	<u>1,981</u>
Business-type activities capital assets, net	<u>\$ 386</u>	<u>\$ 1,831</u>	<u>\$ -</u>	<u>\$ 2,217</u>

Depreciation expense of \$48,000 was recognized by Tsa-La-Gi Apartments while depreciation of \$40,000 was recognized by CN Sanitary Landfill for the year ended September 30, 2016.

**Component Unit Activities**

	<b>Balance, September 30, <u>2015</u></b>	<b><u>Additions</u></b>	<b><u>Reductions</u></b>	<b>Balance, September 30, <u>2016</u></b>
<b>CNB and HACN:</b>				
Capital assets, not being depreciated:				
Land	\$ 54,920	\$ 16	\$ (313)	\$ 54,623
Construction in process	50,834	51,101	(63,648)	38,287
Artwork	3,331	180	(16)	3,495
Total capital assets, not being depreciated	<u>109,085</u>	<u>51,297</u>	<u>(63,977)</u>	<u>96,405</u>
Capital assets being depreciated:				
Buildings, improvements and other	665,206	73,220	(4,576)	733,850
Machinery and equipment	243,014	32,792	(9,429)	266,377
Total capital assets being depreciated	<u>908,220</u>	<u>106,012</u>	<u>(14,005)</u>	<u>1,000,227</u>
Less accumulated depreciation for:				
Buildings, improvements and other	(175,741)	(26,793)	3,458	(199,076)
Machinery and equipment	(151,183)	(26,387)	8,180	(169,390)
Total accumulated depreciation	<u>(326,924)</u>	<u>(53,180)</u>	<u>11,638</u>	<u>(368,466)</u>
Total capital assets being depreciated, net	<u>581,296</u>	<u>52,832</u>	<u>(2,367)</u>	<u>631,761</u>
CNB and HACN activities - capital assets, net	<u>690,381</u>	<u>104,129</u>	<u>(66,344)</u>	<u>728,166</u>
<b>Other Component Units:</b>				
CNHHS, CNCCA, CHP,				
CNF and CNHS capital assets, net	<u>8,640</u>	<u>(2,824)</u>	<u>-</u>	<u>5,816</u>
Total of the Component Unit activities - capital assets, net	<u>\$ 699,021</u>	<u>\$ 101,305</u>	<u>\$ (66,344)</u>	<u>\$ 733,982</u>

## 8. LONG-TERM DEBT

Long-term debt activity for the year ended September 30, 2016 was as follows (dollars in thousands):

<u>Governmental Activities</u>	<u>Balance,</u> <u>September 30,</u>			<u>Balance,</u> <u>September 30,</u>		
	<u>2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>2016</u>	<u>Current</u> <u>Portion</u>	<u>Long-Term</u> <u>Portion</u>
<b>Notes Payable</b>						
Note payable to Bank of Oklahoma (BOK) in fixed principal payments. See (1) below.	15,733	-	(1,600)	14,133	1,600	12,533
Series 2006 Bonds payable with a pledge of revenues from Health Care System with semi-annual interest payments and annual principal payment. Coupon rate ranges from 4.10% to 4.6%. Payments began December 2007 and bonds mature beginning December 2011. See (2) below.	12,960	-	(800)	12,160	-	12,160
Note payable to construct Tahlequah Outpatient Health Facility. See (3) below.	-	2,511	-	2,511	-	2,511
Total long-term debt	<u>\$ 28,693</u>	<u>\$ 2,511</u>	<u>\$ (2,400)</u>	<u>\$ 28,804</u>	<u>\$ 1,600</u>	<u>\$ 27,204</u>

- (1) This note, along with additional program income transfers from the SG DHHS Fund, provided the funding for the construction of a new clinic in Vinita. The revenues and expenditures relating to the construction of the new Vinita Clinic were accounted for in the Capital Projects Fund. This note is a 15-year note with final payment due in July 2025 with fixed monthly principal payments of \$133,000 and varying monthly interest payments, secured by cash or investments at Bank of Oklahoma. The variable rate is based on 75% of 30 day LIBOR plus 95 basis points if the note is secured by certificates of deposit held by the bank or 115 basis points if the note is secured by U.S. Treasuries. The note had a balance of \$14,133,000 at September 30, 2016. The Nation entered into a swap agreement with Bank of Oklahoma to fix the interest rate on the \$24 million loan. The swap agreement fixes the rate at 3.16%. The agreement covers the entire 15-year term. There are potential gains and losses associated with the swap agreement should Cherokee Nation choose an early payoff on the loan. See Note 10 for additional details.

The construction of the Vinita Clinic, owned by the Nation, was completed in fiscal year 2012 and is being operated in accordance with a Joint Venture Construction Program Agreement (JVCP) between the Nation and the Indian Health Service (IHS), Department of Health and Human Services dated May 14, 2010. The Nation planned, designed, constructed, equipped, leases and operates the Vinita Clinic according to IHS specifications. The IHS provides funds to staff and equip the facility in accordance with the joint venture agreement and the self-governance compact. The JVCP agreement provided that the Nation was responsible for constructing the Vinita Clinic. Upon completion of the Vinita Clinic, the IHS entered into a "no-cost lease" with the Nation. The no-cost lease is not intended to convey any real property interest in the Vinita Clinic or the land it is located on but rather, the IHS is merely providing the funding for staffing and equipping the Vinita Clinic. Pursuant to the terms of the JVCP Agreement, the Self Governance Compact and the no-cost lease, the Nation will be the sole operator of the Vinita Clinic and all employees of the Vinita Clinic will be employees of the Nation. The IHS will

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

- (2) The Nation issued their \$30,000,000 Series 2006 Health Care System Bonds on December 21, 2006. The bonds were issued to fund construction of new clinics in Muskogee and Nowata and an administrative annex for the Redbird Smith clinic in Sallisaw. The bonds carry a coupon rate of 4.1 - 4.6% and mature in three phases that began in 2011. The bonds are secured by a pledge of the health services third party revenue and are a general obligation of the Nation. A monthly debt service reserve of approximately \$116,000 is transferred to the bond trustee, Bank of Oklahoma Trust Services. The bonds were insured through ACA Capital and carried a Standard & Poor's "A" rating and a Fitch BBB-rating. The underwriter for the bond issuance was BOSCO, Inc., a subsidiary of BOK Financial Corporation.
- (3) This note provides the funding for the construction of a new outpatient health facility in Tahlequah, Oklahoma. The principal amount of the note is \$170,000,000 for the purposes of financing a portion of the costs of the construction of the project, financing a portion of the costs of furniture, fixtures and equipment for the project, optionally redeeming the Bonds, and paying transaction costs. This note has an interest only period until the first principal payment on the loan is due beginning on August 31, 2019, with each scheduled installment being an amount equal to 1/180<sup>th</sup> of the outstanding principal balance of the loan as of the close of business on August 30, 2019. Payment of each scheduled monthly principal installment shall be accompanied by payment of the interest due. Interest on the note shall be due and payable in arrears on the last day of each calendar month, commencing September 30, 2016 and at maturity. As of September 30, 2016 the Nation has drawn down \$2,511,000 of the construction loan funds. The Nation entered into a swap agreement with Bank of Oklahoma to fix the interest rate on the \$170 million loan. The swap agreement fixes the rate at 1.2%. The agreement covers the entire 15-year term. There are potential gains and losses associated with the swap agreement should Cherokee Nation choose an early payoff on the loan. See Note 10 for additional details.

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

The balance of long-term debt, including capital leases, for business-type activities at September 30, 2016 was \$5,667,000. The balance of long-term debt for Component Units at September 30, 2016 was \$35,744,000. Long-term debt, including capital leases, in the business-type activities and component units at September 30, 2016 consisted of the following (dollars in thousands):

<u>Business-type Activities</u>	<u>Balance,</u> <u>September 30,</u> <u>2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance,</u> <u>September 30,</u> <u>2016</u>	<u>Current</u> <u>Portion</u>	<u>Long-Term</u> <u>Portion</u>
<b>Title VI Loan Fund</b>						
Note payable to bank in fixed principal payments. See (4)	\$ 5,307	\$ -	\$ (1,719)	\$ 3,588	\$ 1,202	\$ 2,386
<b>Economic Development Trust Authority</b>						
Notes payable to the Department of Agriculture in variable annual installments including interest of 1% annual, with final payment due August 2034.	1,125	-	(62)	1,063	64	999
<b>CN Sanitary Landfill</b>						
Capital lease to Welch State Bank with fixed payments. Interest rate 1.99%, with final payment due April 2021.	-	1,033	(17)	1,016	214	802
Total long-term debt	<u>\$ 6,432</u>	<u>\$ 1,033</u>	<u>\$ (1,798)</u>	<u>\$ 5,667</u>	<u>\$ 1,480</u>	<u>\$ 4,187</u>

- (4) In July 2002, the Nation entered into a \$50,000,000 loan agreement, 95% guaranteed by United States Department of Housing and Urban Development. The loan proceeds were divided into two separate “pools” which carry different interest rates over the life of the loan. Pool A was paid off in July 2013. Pool B, with a balance at September 30, 2016 of \$3,588,000 carries a variable interest rate, reset monthly, and derived from the 30 day LIBOR + 70 basis points, which at September 30, 2016 was 1.231%. Pool B requires monthly principal payments of \$100,000 through February 1, 2022, plus interest. The loan proceeds were transferred to the HACN under a loan agreement between the Nation and the HACN to provide funding for construction or acquisition of single-family homes within the Nation’s fourteen county 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 \$265,000. These securities are being pledged as collateral for the Title VI loan to cover the portion of the loan balance not guaranteed by HUD. The interest and dividends generated on these securities remains the property of the HACN. As collateral for the Title VI loan, the Nation has pledged all current and future grants for which the borrower becomes eligible under NAHASDA as well as program income directly generated from the use of the loan proceeds, program income derived from the sale or lease of real property acquired, rehabilitated or constructed with loan proceeds, and the securities deposited to the Pledge Account. Any program income generated from the above is required to be deposited into a “Loan Repayment Account” to serve as an additional source of payment of principal and interest related to the Title VI loan. The Nation’s note receivable from HACN at September 30, 2016 was \$3,588,000, of which, \$1,202,000 is included in notes receivable current and \$2,386,000 is reflected as long-term notes receivable in the government-wide Statement of Net Position as well as at the Proprietary Fund level.

<u>Component Units</u>	<u>Balance,</u> <u>September 30,</u>			<u>Balance,</u> <u>September 30,</u>	<u>Current</u> <u>Portion</u>	<u>Long-Term</u> <u>Portion</u>
	<u>2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>2016</u>		
<b>Housing Authority of the Cherokee Nation (HACN)</b>						
Note payable to Cherokee Nation in fixed monthly principal payments of \$100 with interest calculated on the outstanding balance each month. See (5)	\$ 5,307	\$ -	\$ (1,719)	\$ 3,588	\$ 1,202	\$ 2,386
Note payable to bank in fixed monthly payments of \$2 including principal and interest. Interest calculated at 6.75% annual with final final payment due February 2021. See (6)	77	-	(13)	64	12	52
Assumable Mortgage Program (*AMP*) - loans for use in the purchase of homes provided to program participants. Interest rates vary from 4% to 7.125% and are payable in monthly installments over thirty (30) years. See (7)	13,936	15,643	(332)	29,247	533	28,714
<b>Cherokee Nation Comprehensive Care Agency (CNCCA)</b>						
Note payable to CNB to finance building construction and secured by same at 6.5%, principal and interest payments of \$9 due monthly beginning May 2008 and ending April 2018, at which time any remaining principal is due and payable.	1,245	-	(29)	1,216	24	1,192
Notes payables to finance vehicles secured by the vehicle at 3.5% principal and interest of \$3 due monthly from March 2016 and ending February 2021.	-	134	-	134	32	102
<b>Cherokee Health Partners, LLC (CHP)</b>						
3.5% note payable, due in monthly installments of \$18 including interest, through December 2019, secured by equipment.	910	-	(190)	720	197	523
<b>Cherokee Nation Home Health Service (CNHHS)</b>						
Bank note payable dated June 7, 2006 in the original amount of \$371 has monthly payments of \$3, including interest at 5.25% and matures June 7, 2017, secured by a building and land. See (8)	254	-	(22)	232	232	-
Capital lease for buildings and equipment at an interest rate of 2.05%.	80	85	(39)	126	48	78
Line of credit	353	25	(51)	327	27	300
<b>Cherokee National Historical Society, Inc (CNHS)</b>						
Bank note payable dated August 12, 2013 in the original amount of \$130 and was due November 12, 2015. Interest is variable equal to BOK Financial Corp Index.	92	-	(2)	90	5	85
<b>Cherokee Nation Waste Management (CNWM)</b>						
Capital lease for equipment used in the Cherokee Nation Sanitary Landfill operations issued April 14, 2014.	1,226	-	(1,226)	-	-	-
Total long-term debt	<u>\$ 23,480</u>	<u>\$ 15,887</u>	<u>\$ (3,623)</u>	<u>\$ 35,744</u>	<u>\$ 2,312</u>	<u>\$ 33,432</u>

(5) HACN, during fiscal year 2016, did not receive any loan advances for the Title VI program. This resulted in a cumulative amount of funds drawn on the available loan funds of \$33,231,000. The loan was divided into two separate “pools” which carry different interest rates over the life of the loan. Pool A was paid off as of September 30, 2013. Pool B, whose balance at September 30, 2016 was \$3,588,000 carries a variable interest rate reset monthly, derived from the 30 day LIBOR + 70 basis points, which at September 30, 2016 was 1.27%. Pool B principal payments of \$100,000 began March of 2005 and are scheduled through June 1, 2022, plus interest. During fiscal year 2016, HACN made total principal payments on Pool B of \$1,719,000.

As collateral for the loan, the Nation has pledged all current and future grants, for which the borrower becomes eligible under NAHASDA, as well as income directly generated from the use of loan proceeds,



program income derived from the sale or lease of real property acquired, rehabilitated or constructed with loan proceeds, and the securities deposited to the pledge account. Any program income generated from the above is required to be deposited into a "Loan Repayment Account" to serve as an additional source for payment of principal and interest related to the Title VI loan.

- (6) During fiscal year 2006, HACN borrowed \$152,000 for its costs related to the Claremore QuadPlex project. The loan is repaid in monthly payments of \$1,300 including principal and interest and began on February 1, 2006. The loan carries an interest rate of 6.75%. The final payment will be made on February 1, 2021. At September 30, 2016 the loan balance was \$64,000.
- (7) During fiscal year 2007, HACN began its Assumable Mortgage Program. In fiscal year 2016, HACN took out \$15,643,000 in new loans for use in the purchase or construction of 421 total homes provided to program participants. Interest rates on the loans vary from 4% to 7.125% and are payable in monthly installments over thirty years. At September 30, 2016, the loan balance was \$29,247,000.
- (8) CNHHS renewed a promissory note and security agreement with a bank in June 2006 totaling \$371,000 with monthly payments of \$3,000, including interest at 7%, and an original maturity date of June 7, 2009. During 2009, the note agreement was extended an additional 35 monthly payments of \$3,000, including interest at 7.0% and a balloon payment of all outstanding principal and interest due June 7, 2012. During 2012, the note agreement was extended an additional 59 monthly payments of \$3,000, including interest at 5.25% and a balloon payment of all outstanding principal and interest due June 7, 2017. The purpose of the note was to finance the construction of a new office building, completed in March 2006. The note payable is secured by a building, land and certain bank accounts. Amount outstanding at September 30, 2016 was \$232,000.

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

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

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
<b>Governmental Activities:</b>			
2017	1,600	1,055	2,655
2018	3,820	954	4,774
2019	5,809	799	6,608
2020	4,647	584	5,231
2021	4,140	402	4,542
2022 through 2026	<u>8,788</u>	<u>441</u>	<u>9,229</u>
<b>Total</b>	<b><u>\$ 28,804</u></b>	<b><u>\$ 4,235</u></b>	<b><u>\$ 33,039</u></b>
<b>Business-type Activities:</b>			
2017	1,480	110	1,590
2018	1,484	90	1,574
2019	1,472	69	1,541
2020	292	14	306
2021	200	9	209
2022 through 2026	339	33	372
2027 through 2031	355	15	370
2032 through 2036	<u>45</u>	<u>2</u>	<u>47</u>
<b>Total</b>	<b><u>\$ 5,667</u></b>	<b><u>\$ 342</u></b>	<b><u>\$ 6,009</u></b>

## 9. COMPENSATED ABSENCES

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

<b><u>Pay Count</u></b>	<b><u>Annual Leave Earned</u></b>	
	<b><u>Regular Full-Time</u></b>	<b><u>Regular Part-Time</u></b>
1 to 78 pay checks	4 hours per pay period	2 hours per pay period
79 to 260 pay checks	6 hours per pay period	3 hours per pay period
261 and above pay checks	8 hours per pay period	4 hours per pay period

Vacation leave may be accrued to a maximum of 240 hours. Once the 240 hours maximum balance is reached, the employee discontinues accruing until the number falls below 240 hours. Any employee who

is separated from the job by layoff, resignation, termination or retirement shall have unused accrued annual leave paid in their last check. Changes in the reported liability follow (dollars in thousands):

<b>Fiscal Year</b>	<b>Balance at Beginning of Year</b>	<b>Leave Earned</b>	<b>Leave Used</b>	<b>Balance at End of Year</b>
2014	\$6,553	\$10,995	(\$10,734)	\$6,814
2015	\$6,814	\$11,710	(\$11,158)	\$7,366
2016	\$7,366	\$12,248	(\$12,238)	\$7,376

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

## **10. INTEREST RATE SWAP AGREEMENTS**

### VINITA CLINIC LOAN

In connection with the issuance of a \$24,000,000 note payable (see (1) in footnote 8 on page 67 – 68), the Nation also entered into an interest rate swap agreement with Bank of Oklahoma. Details of the agreement are as follows:

#### *Objective of the Interest Rate Swap*

The Nation’s asset/liability strategy is to have a mixture of fixed- and variable-rate debt to take advantage of market fluctuations. As a strategy to maintain acceptable levels of exposure to the risk of changes in future cash flows due to interest rate fluctuations and to lower its borrowing costs when compared against fixed-rate debt at the time of issuance, the Nation entered into an interest rate swap agreement for its tax-exempt long-term note payable with a financial institution. The intention of the swap is to effectively change the Nation’s variable interest rate portion on this note to a synthetic fixed rate of 2.21%, which together with the fixed portion of the interest rate of .95% will result in a total fixed rate of 3.16%.

#### *Terms*

The agreement was entered into on July 30, 2010, is scheduled to end on July 31, 2025 and required no initial net cash receipt or payment by the Nation. The agreement provides for the Nation to receive interest from the counterparty at 75% of the London Interbank Offering Rate (LIBOR) and to pay interest to the counterparty at a fixed rate of 2.21% on a notional amount of \$14,133,000 at September 30, 2016. The notional amount of the swap and the principal amount of the associated debt were equal at inception of the swap, and the notional amount declines by a corresponding amount each time a principal payment becomes due on the associated debt. Under the agreement, the Nation pays or receives the net interest amount monthly, with the monthly settlements included in interest expense.

#### *Fair Value*

As of September 30, 2016, the agreement had a negative fair value of \$883,000 calculated using the par-value method, i.e., the fixed rate on the swap was compared with the current fixed rates that could be achieved in the marketplace should the swap be unwound. The fixed-rate component was valued by discounting the fixed-rate cash flows using the current yield to maturity of a comparable note. The variable-rate component was assumed to be at par value because the interest rate resets to the market rate at every reset date. The fair value was then calculated by subtracting the estimated market value of the fixed component from the established market value of the variable component. The fair value of the swap of \$883,000 is shown as a derivative investment – rate swap liability on the Statement of Net Position, with

the offset recorded as a deferred outflow in the Nation's government-wide Statement of Net Position as the hedging relationship is effective.

*Credit Risk*

The swap's fair value represented the Nation's credit exposure to the counterparty as of September 30, 2016. Should the counterparty to this transaction fail to perform according to the terms of the swap agreement, the Nation has a maximum possible loss equivalent to the swap's fair value at that date. As of September 30, 2016, the Nation was not exposed to credit risk because the swap had a negative fair value. The swap counterparty was rated A by Fitch Ratings, BBB+ by Standard & Poor's and A2 by Moody's Investors Service as of September 30, 2016. The Nation does not currently have a policy of requiring the counterparty to post collateral in the event the Nation becomes exposed to credit risk. The Nation does not currently have a policy requiring a master netting agreement with the counterparty and does not currently have such an agreement in place.

*Termination Risk*

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

*Swap Payments and Associated Debt*

Using rates as of September 30, 2016, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term are set forth in the table below. As rates vary, variable-rate interest payments and net swap payments will vary.

	<b>Variable-Rate Note</b>		<b>Interest</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Rate</b>	<b>Total</b>
	<b>Principal</b>	<b>Interest</b>	<b>Swap, Net</b>	<b>Total</b>
2017	1,600,000	\$183,000	\$246,000	\$2,029,000
2018	1,600,000	161,000	217,000	1,978,000
2019	1,600,000	139,000	187,000	1,926,000
2020	1,600,000	118,000	158,000	1,876,000
2021	1,600,000	96,000	129,000	1,825,000
2022 – 2025	<u>6,133,000</u>	<u>186,000</u>	<u>221,000</u>	<u>6,540,000</u>
	<u>\$14,133,000</u>	<u>\$883,000</u>	<u>\$1,158,000</u>	<u>\$16,174,000</u>

**TAHLEQUAH OUTPATIENT HEALTH FACILITY**

In connection with the issuance of a \$170,000,000 note payable (see (3) in footnote 8 on page 68), the Nation also entered into an interest rate swap agreement with Bank of Oklahoma. Details of the agreement are as follows:

*Objective of the Interest Rate Swap*

The Nation's asset/liability strategy is to have a mixture of fixed- and variable-rate debt to take advantage of market fluctuations. As a strategy to maintain acceptable levels of exposure to the risk of changes in future cash flows due to interest rate fluctuations and to lower its borrowing costs when compared against

fixed-rate debt at the time of issuance, the Nation entered into an interest rate swap agreement for its tax-exempt long-term note payable with a financial institution. The intention of the swap is to effectively change the Nation's variable interest rate portion on this note to a synthetic fixed rate of 1.20%.

#### *Terms*

The agreement was entered into on September 12, 2016, is scheduled to end on August 26, 2031 and required no initial net cash receipt or payment by the Nation. The agreement provides for the Nation to receive interest from the counterparty at 70% of the London Interbank Offering Rate (LIBOR) and to pay interest to the counterparty at a fixed rate of 1.20% on a notional amount of \$1,200,000 at September 30, 2016. The notional amount of the swap and the principal amount of the associated debt were equal at inception of the swap. The notional amount determined each month is based on the projected draws that will be made on the debt for construction related purposes and will increase by an amount up to the total loan agreement amount of \$170,000,000 by September 3, 2019. Monthly payments are due on the last day of each month. Principal payments of the debt will begin once the construction phase of the project has completed and the notional amount declines each month by a corresponding amount of the debt balance each time a principal payment becomes due. Under the agreement, the Nation pays or receives the net interest amount monthly, with the monthly settlements included in interest expense.

#### *Fair Value*

As of September 30, 2016, the agreement had a negative fair value of \$2,413,000 calculated using the par-value method, *i.e.*, the fixed rate on the swap was compared with the current fixed rates that could be achieved in the marketplace should the swap be unwound. The fixed-rate component was valued by discounting the fixed-rate cash flows using the current yield to maturity of a comparable note. The variable-rate component was assumed to be at par value because the interest rate resets to the market rate at every reset date. The fair value was then calculated by subtracting the estimated market value of the fixed component from the established market value of the variable component. The fair value of the agreement is recognized as derivative instrument – rate swaps liability in the Nation's government-wide statement of net position. As the swap is an effective hedging instrument, the offsetting balance is reflected as a deferred outflow on the Nation's government-wide statement of net position. The negative fair value of the swap of \$2,413,000 for the year ended September 30, 2016 is shown as an adjustment to the carrying amount of the related deferred outflow on the statement of net position.

#### *Credit Risk*

The swap's fair value represented the Nation's credit exposure to the counterparty as of September 30, 2016. Should the counterparty to this transaction fail to perform according to the terms of the swap agreement, the Nation has a maximum possible loss equivalent to the swap's fair value at that date. As of September 30, 2016, the Nation was not exposed to credit risk because the swap had a negative fair value. The swap counterparty was rated A- by Fitch Ratings, BBB+ by Standard & Poor's and A2 by Moody's Investors Service as of September 30, 2016. The Nation does not currently have a policy of requiring the counterparty to post collateral in the event the Nation becomes exposed to credit risk. The Nation does not currently have a policy requiring a master netting agreement with the counterparty and does not currently have such an agreement in place.

#### *Basis Risk*

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

#### *Termination Risk*

The Nation or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable-rate portion of the notes would no longer have a

synthetic fixed rate of interest. Also, if the swap has a negative fair value at the time of termination, the Nation would be liable to the counterparty for a payment equal to the swap's then fair value.

*Swap Payments and Associated Debt*

Using rates as of September 30, 2016, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term are set forth in the table below. As rates vary, variable-rate interest payments and net swap payments will vary.

	<b>Variable-Rate Note</b>		<b>Interest Rate Swap, Net</b>	<b>Total</b>
	<b>Principal</b>	<b>Interest</b>		
2017	\$0	\$398,000	\$176,000	\$574,000
2018	0	1,315,000	582,000	1,897,000
2019	945,000	2,387,000	1,056,000	4,388,000
2020	11,333,000	3,101,000	1,372,000	15,806,000
2021	11,333,000	2,877,000	1,273,000	15,483,000
2022 – 2031	<u>112,389,000</u>	<u>16,890,000</u>	<u>7,473,000</u>	<u>136,752,000</u>
	<u>\$136,000,000</u>	<u>\$26,968,000</u>	<u>\$11,932,000</u>	<u>\$174,900,000</u>

Additionally, as of September 30, 2016 the Nation has drawn \$2,511,000 on the debt facility. The schedule above represents the projected draws and future principal payments required based on current assumptions for the financing needs during the construction phase of the new outpatient health facility in Tahlequah. The Nation currently has hedged 80% of the total \$170 million of authorized debt (See Note 8).

**11. LINES OF CREDIT**

The Nation has a \$5 million line of credit with Bank of America that has no outstanding borrowings as of September 30, 2016. The current line of credit with Bank of America carries a floating rate equal to the LIBOR Daily Floating Rate plus 150 basis points. The cost associated with maintaining this Line of Credit agreement for fiscal year 2016 was \$13,000. The agreement was renewed during fiscal year 2016 and is set to expire on September 30, 2018, unless extended.

Pursuant to LA 28-04 which amended LA 05-02, The Fiscal Policy and Responsibility Act, authorized a line of credit to be utilized in satisfying the permanent Cash Reserve required by the Act, and to permanently provide for operating cash needs of the Nation.

On July 19, 2013, CNB entered into a \$100,000,000 revolving credit agreement. CNE and its blended component units guarantee the credit facility. In addition, the agreement is collateralized by CNE's cash flows and substantially all of CNE's assets. The credit agreement includes a \$20,000,000 letter of credit arrangement. The agreement bears interest at the London Interbank Offered Rate (LIBOR) plus 1.20%. The credit agreement has quarterly unused commitment fees of 0.4%. CNB had no outstanding borrowings at September 30, 2016. CNB had letters of credit outstanding totaling \$200,000 at September 30, 2016. CNB's availability was \$99,800,000 at September 30, 2016.

CNHHS obtained a line of credit on March 25, 2011. The initial draw was used to pay off all the outstanding lines of credit at that date. This line of credit bears interest payable monthly at a fixed rate of 4.50% and is secured by the full faith and credit of the Nation under a limited waiver of sovereign immunity. This line of credit was renewed in March 2016 through March 2021. The balance of the line of credit for the year ended September 30, 2016 was \$327,000.

## **12. TRUST LIABILITIES**

The HACN has several lease-to-own homebuyer programs wherein the tenant/homebuyer may eventually purchase the house in accordance with contractual agreements. These transactions are similar to a financing lease, however are not accounted for as such as the amount and ability to collect the minimum lease payments is not predictable. Until the time of transfer, these homes remain the property of the HACN. The costs of those units are depreciated over the expected term of payoff at the time of the original agreement, generally 25 years. When the home is paid off in accordance with the agreements and title is transferred to the homebuyer, a gain or loss is recognized by HACN. For the year ended September 30, 2016, a gain of \$377,000 was recorded in connection with such transfers and is reported as other, net nonoperating revenues (expenses) on the combining statement of revenues, expenses and changes in net position – component units.

The HACN Trust Liabilities reflected in the accompanying financial statements primarily include a liability for funds that have been received from the tenants or homebuyers in the various lease-to-own programs. These funds are held in a trust type account to be applied to various uses, depending on the agreement with the tenant/homebuyer. The largest of the amounts included in this category are for accounts attributable to the New Mutual Help Housing Program wherein the tenant/homebuyers are credited with a portion of the funds that they have contributed as well as other amounts credited to them in accordance with HUD requirements and program policies. Under the provisions of mutual help occupancy agreements, tenant/homebuyers are required to make payments based on the family or household income. After deducting an administrative fee as set forth by HUD, the remaining balance is credited to the participant's equity payment account (MEPA). The balance of the MEPA accounts, which are being held by HACN on behalf of the New Mutual Help homebuyers, was \$3,390,000 as of September 30, 2016. This along with other credits to these tenant/homebuyers totaled \$3,776,000 at September 30, 2016. 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, 2016, other amounts included in this category include escrow deposits held by the HACN associated with the Title VI program mortgages totaling \$14,000, and low income housing tenants' security deposits of \$36,000.

## **13. FUND BALANCE CLASSIFICATION**

The details for the Nation's fund balances presented in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* as of September 30, 2016 are as follows (dollars in thousands):

	Major					
	Special Revenue Funds			Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Self Governance DHHS	Housing & Urban Development			
<b>Fund balances:</b>						
<b>Nonspendable:</b>						
Inventory & other assets	\$ -	\$ 12,091	\$ -	\$ -	\$ -	\$ 12,091
Permanent fund principal	-	-	-	-	425	425
<b>Restricted for:</b>						
Federal, State and Private Grants	-	10,752	790	-	19,014	30,556
Education, Roads, Health, Safety (MFT)	44,097	-	-	-	-	44,097
Education (MVT)	5,964	-	-	-	-	5,964
Roads (MVT)	7,273	-	-	-	-	7,273
Law Enforcement (MVT)	598	-	-	-	-	598
<b>Committed for:</b>						
Contract Health Services	909	-	-	-	-	909
Land Acquisitions	5,763	-	-	-	-	5,763
Heart of the Nation	47	-	-	-	-	47
Job Training and Tuition	233	-	-	-	-	233
Student activities	181	-	-	-	-	181
TERO Job Training Programs	820	-	-	-	-	820
<b>Assigned to:</b>						
Budgetary Resources for Subsequent Year	8,265	-	-	-	-	8,265
Capital Projects	-	-	-	4,853	-	4,853
<b>Unassigned:*</b>	<u>26,922</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,922</u>
Total fund balances	<u>\$ 101,072</u>	<u>\$ 22,843</u>	<u>\$ 790</u>	<u>\$ 4,853</u>	<u>\$ 19,439</u>	<u>\$ 148,997</u>

\* Legislative Act (LA) 05-02 established a cash reserve in the amount of 1.75% of the original operating budget of each fiscal year to use as a stabilization fund. LA 28-04 amended LA 05-02 and established a \$5,000,000 Line of Credit as part of the 1.75% reserve. The legislative acts do not commit specific uses of the reserve; therefore the balance is shown as unassigned. For the current fiscal year \$5,084,000 of the unassigned fund balance was set aside to meet the \$10,481,000 reserve. For Fiscal Year 2017, an additional \$409,000 was appropriated to meet that reserve of \$10,890,000.

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

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

Federal regulations will require the Nation to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will only be paid near or after the date the landfill stops accepting waste, GASB Statement No. 18 requires proprietary funds, such as Landfill Closure, to report a portion of these costs as an operating expense in each period based on landfill capacity and utilization. The \$3,020,000 reported as Landfill Closure and Postclosure Care Liability at September 30, 2016 (included in other noncurrent liabilities), represents the cumulative costs recognized to date based on the existing use of 41% of the total estimated capacity of the landfill. Landfill Closure will recognize the remaining estimated cost of closure and postclosure care of approximately \$4,380,000 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 2016. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The Nation expects the landfill to have a remaining life of approximately 8.4 million cubic



yards. Actual remaining years of operation is dependent upon several factors including the volume of waste accepted on an annual basis.

CNWM operated the landfill during a portion of fiscal year 2016 and was 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/postclosure liability relating to the landfill operation will be retained by the Nation, together with the cash and investment balances maintained in the Cherokee Nation's Closure/Postclosure restricted cash and investment funds. The Nation did not receive payments from CNWM for fiscal year 2016.

During fiscal year 2016, the Nation made a capital contribution to CNWM for operations. A portion of this contribution was used to pay the 2015 postclosure liability that was not submitted to the Nation. In August 2016, CNWM was dissolved and the Nation assumed operations of the landfill.

The Nation makes annual contributions to a restricted bank account to finance closure and postclosure care. At September 30, 2016, restricted cash, cash equivalents and investments of approximately \$2,947,000 were held for these purposes. The Nation expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional postclosure care requirements are necessary (due to changes in technology or applicable laws or regulations, for example), such costs may need to be funded by charges to future landfill users or other revenue sources.

No closure/postclosure liability has been reported by the Nation at September 30, 2016 for this landfill in its governmental funds because of the long-term nature of the liability.

## **15. RISK MANAGEMENT AND SELF-INSURED HEALTH PLANS**

The Nation manages its risk exposures through risk retention and the purchase of insurance. In the area of health benefits, the Nation utilizes a modified self-insured program with a third party administrator. Claims for benefits are paid by the Nation to a level of \$200,000 per year per employee. Amounts over \$200,000 per employee are subject to reimbursement by the insurance company.

The Nation is self-insured against employee health and short-term disability claims incurred under its employee group health disability plan. The maximum liability risk to the Nation is \$200,000 per employee per year for employee health. Any claims in excess of this limit are covered by insurance. Significant insurable exposures other than health claims are covered by commercial insurance. For insured exposures, there were no significant reductions in insurance coverage during the year ended September 30, 2016. Additionally, settlement amounts have not been in excess of insurance coverage in each of the past three years.

The Nation's reported employee health claims liability of \$3,525,000 at September 30, 2016, has been recorded in accordance with GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

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

<b>Fiscal Year</b>	<b>Balance at Beginning of Year</b>	<b>Claims and Changes in Estimates</b>	<b>Claim Payments</b>	<b>Balance at End of Year</b>
2014	\$4,379	\$26,155	(\$26,468)	\$4,066
2015	\$4,066	\$30,637	(\$31,471)	\$3,232
2016	\$3,232	\$31,149	(\$30,856)	\$3,525

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

Workers’ Compensation benefits are provided within the All Lines Aggregate program described below. There is \$100,000 retention with a maximum benefit of \$5,000,000 for each occurrence. Employers Liability has a \$5,000,000 per person/claim limit. A standalone Crime policy continues to be purchased to provide a \$1,000,000 per occurrence loss limit with a lower deductible of \$10,000.

The first \$100,000 of risk is retained on the All Lines Aggregate program with the exception of a \$100,000 deductible on Tribal Officials Errors and Omissions Coverage. The All Lines Aggregate (ALA) program responds to losses over the \$100,000 retention/deductible level. A stop loss equivalent to 1.8% of payroll is in place to limit the Nation’s exposure. Program design includes Clash Coverage which further limits the Nation’s exposure by applying only one \$100,000 retention per insured incident regardless of the number of coverage lines that may apply arising out of a single Event. Coverage provided by the ALA program includes the following liability coverage on a \$10,000,000 per occurrence basis: Comprehensive General Liability, Products/Completed operations including but not limited to Contractual Liability, Special Events Liability, Sexual Misconduct Liability, Cemetery Malpractice, Law Enforcement Professional Liability, Medical Malpractice including Hospital/Clinic Malpractice, Host and/or Liquor Liability, Innkeepers Liability, Automobile Liability including Non-Owned Automobile Liability, Auto Medical Payments, Uninsured and Underinsured Motorists, Automobile Physical Damage, Garage Keeper’s Legal Liability and Valet Parking. The following coverage lines are provided on a Claims Made Basis with a limit of \$10,000,000 each occurrence and in the Aggregate: Tribal Officials Liability, Miscellaneous Professional Errors and Omissions Liability, Employee Benefit Liability, and Employment Practices Liability. Retroactive coverage is provided for all coverage lines within this class with an October 1, 2003 Retroactive Date. A \$15,000,000 Umbrella remains in effect over the ALA coverage lines. The standalone Fiduciary Liability policy was short termed at September 30, 2016 so that its effective dates would match that of the ALA program. Separate Pollution Liability and an E-Commerce Liability remain in effect.

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

CNB provides employee health coverage under three separate self-insured group health plans covering different groups of employees. The maximum liability per participant per plan year ranges from \$75,000 to \$300,000 depending on the plan. Any claims in excess of these limits are covered by stop-loss insurance. Self-insurance liabilities are estimated based on claims experience and are included in accounts payable and accrued liabilities in the accompanying statements of net position. Information concerning the changes in the CNB self-insurance medical liability reported as accounts payable and accrued liabilities in CNB’s statement of net position, follows (dollars in thousands):

<b>Fiscal Year</b>	<b>Balance at Beginning of Year</b>	<b>Claims and Changes in Estimates</b>	<b>Claim Payments</b>	<b>Balance at End of Year</b>
2014	\$3,801	\$37,496	(\$37,117)	\$4,180
2015	\$4,180	\$45,957	(\$45,338)	\$4,799
2016	\$4,799	\$52,887	(\$53,133)	\$4,553

## 16. EMPLOYEE RETIREMENT PLAN

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

The Nation's primary government's total gross payroll for fiscal year 2016 was approximately \$178,859,000, which included approximately \$177,437,000 for employees covered by the plan. Contributions to the 401(k) plan for 2016 were approximately \$14,070,000. Contributions expressed in dollars and percent of covered payroll were: Nation \$6,041,000, 4.3% and participants \$8,029,000, 5.7%.

The Nation's required contribution and percentage of contribution for fiscal year 2016 and the two preceding years follows:

<b>Fiscal Year</b>	<b>Required Contribution</b>	<b>Percentage Contribution</b>
2014	\$5,297	100%
2015	\$5,531	100%
2016	\$6,041	100%

The Cherokee Nation Elected and Appointed Official's 401(k) Plan and Trust is a qualified defined contribution plan established by the Nation for the benefit of the Nation's eligible elected and appointed officials. This plan is intended to constitute a qualified profit sharing plan within the meaning of Code Section 401(a), and all regulations issued under the Code (the "Regulations"), to the extent applicable to a governmental plan. This plan does not elect to be subject to provisions of the Code that are not applicable to a governmental plan nor, unless specifically provided, to any of the provisions of the Employee Retirement Income Security Act of 1974. Contributions to the CN Elected and Appointed Official's 401(k)

plan for 2016 were \$348,000 of which \$96,000 was required and made by the Nation and \$252,000 was made by participants.

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

The Cherokee Nation Businesses, LLC 401(k) Retirement Savings Plan (the Plan or CNB Plan), formerly the Cherokee Nation Entertainment, LLC 401(k) Retirement Savings Plan allows full time employees of CNB and certain component units who are at least 21 years of age to participate in the Plan. Under the provisions of the Plan, participants may elect to contribute from 1% to 25% of their eligible compensation of which CNB and these component units will match 100% of the first 6%. During 2016, participating employees contributed \$14,300,000 to the Plan and CNB and its component units contributed \$10,200,000.

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

Employees of CNGS and CNTS have a 401(k) plan that covers full time employees who are at least 21 years of age. Under the provisions of the plan, CNGS and CNTS will match 50% of the employee's contributions up to 4%. CNGS' and CNTS' contributions to the plan were approximately \$674,000 for 2016.

At September 30, 2016, liabilities under deferred compensation and long-term incentive compensation arrangements for executives of CNB and its component units totaled approximately \$4,000,000 which has been recorded as accounts payable and accrued liabilities.

CNCCA has adopted a 401(k) retirement plan for its employees. Employees are eligible to participate beginning six months from the date of employment, with a minimum of 1,000 hours of service. Employees may contribute up to 50% of their compensation to the plan subject to maximum contributions established by the IRS. CNCCA makes matching contributions up to 3% of an eligible employee's annual compensation. Employer contributions to the plan fully vest after three years of participation. CNCCA's total contributions for the year ended September 30, 2016 were approximately \$36,500. The plan also has a profit sharing provision. The amount of the profit sharing contribution is at the discretion of the board of CNCCA. Profit sharing contributions are fully vested after three years of participation. CNCCA made no profit sharing contributions for the year ended September 30, 2016.

## **17. RELATED PARTY TRANSACTIONS**

The Nation requires monthly dividend payments from component units, organized under the Nation's laws, based on a percentage of net income (35% as of September 30, 2016). Dividend payments to the Nation by component units totaled \$50,139,000 (which includes an accrual of \$3,861,000) at September 30, 2016.

### *Cherokee Nation Businesses, LLC (CNB)*

The Nation levies certain taxes and fees which apply to some of the Nation's component units. During 2016, the Nation collected a tribal tax on food and beverage, tobacco, merchandise and other retail sales from CNE totaling \$3,300,000.

The Nation also provides certain security services to CNE through the Nation's Marshal Service. In 2016, the Nation collected \$891,000 from CNE for services provided by the Marshals.

CNE recorded fees of approximately \$2,500,000 in 2015 to the Cherokee Nation Gaming Commission (CNGC) which has regulatory oversight responsibility for gaming.

During 2013, the Board of Directors of CNB and related entities approved the expenditure of up to approximately \$100,000,000 on Nation medical facilities. An additional funding commitment of \$8,000,000 was added as of September 30, 2014. During 2016, approximately \$14,745,000 of these projects was transferred to the Nation and is shown as capital grants and contributions on the Statement of Activities.

CNE has entered into certain lease agreements with the Nation. CNE leases land for a driving range at the Cherokee Trails Golf Course in Tahlequah, Oklahoma. CNE also leases restaurant and gift shop facilities in Tahlequah. The current leases have expired and a new agreement has not been reached with the Nation. No payments were made toward these leases during 2016.

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

Beginning in 2016, operations associated with the gift shop at the Cherokee Heritage Center (the Heritage Center) were recorded in the operating results of CNB rather than CNE. CNB operates the gift shop at the Heritage Center. The operations of the gift shop are included in the accompanying financial statements and resulted in a net loss of \$76,000 in 2016. In addition to operating the gift shop, CNB provides marketing services for the Heritage Center. The cost of the marketing services totaled \$224,000 for 2016 and is included in salaries and benefits and marketing, general and administrative expenses in the accompanying statements of revenues, expenses and changes in net position.

Beginning in 2016, operations associated with cultural development were recorded in the operating results of CNB rather than CNE. CNB provides funding for cultural development activities on behalf of the Nation. These activities involve restoring Cherokee landmarks as well as engaging in campaigns to inform the public of the Nation's history and making contributions to communities within the Nation. During 2016, CNB incurred \$2,800,000 in operating and employee costs in addition to an \$86,000 capital grant awarded to the Nation for cultural development activities.

CNB has an outstanding note receivable from CNCCA. The note is due in monthly installments of \$9,000 and pays interest at 6.5% annually and matures in April 2018. The outstanding balance on the loan at September 30, 2016 was \$1,216,000.

#### *Housing Authority of the Cherokee Nation of Oklahoma (HACN)*

The HACN has recorded \$22,762,000 in grant revenue in 2016 which is the result of pass through funding from the Nation in relation to the Nation's NAHASDA funding. Additionally, the HACN has recorded grant revenue totaling \$25,000 related to self governance funding received from the Nation for use in providing housing rehabilitation services. Also, the HACN has recorded as "Other Income" \$283,000 of non-federal funds received from the Nation for use in providing housing services.

#### *Cherokee National Historical Society, Inc (CNHS)*

In November 2005, the Nation, CNE, and the CNHS entered into a MOA to further the parties shared mission to preserve the culture and history of the Cherokees by assigning duties to the party that can best perform those duties. Beginning in 2016, operations associated with the gift shop at the Cherokee Heritage Center were recorded in the operating results of CNB rather than CNE. CNHS remained responsible for all charitable fundraising, maintaining memberships, operating the museum and teaching the Cherokee Humanities Course. In 2016, CNB provided marketing services, including group sales, and operation of the museum store at a net cost to CNB of \$224,000.

The Nation performed all remaining operational and educational functions such as accounting, purchasing, contracts, human resources, information technology, and facilities maintenance. The MOA is renewable annually upon agreement of the entities involved. For fiscal year 2016, the Nation's general fund included operational expenses of \$731,000 for CNHS.

## **18. COMMITMENTS AND CONTINGENCIES**

### *Citizenship Litigation*

The Nation held a special election on March 3, 2007 regarding criteria for citizenship in the Cherokee Nation. The results of that election were that citizenship is now limited to those individuals who had an Indian ancestor on the Dawes Rolls. Three different lawsuits occurred as a result of that citizenship amendment. Those persons excluded by the special election alleged that they cannot be disenrolled as citizens under the Nation's 1866 Treaty with the United States, along with various federal laws. On January 14<sup>th</sup>, 2011, the Cherokee Nation District Court ruled in favor of those persons and directed the Cherokee Nation Registrar to process citizenship applications previously held in abeyance. The Nation appealed the CN District Court decision and requested a stay in the processing of applications pending the Cherokee Nation Supreme Court decision on the appeal. The CN District Court issued an order on February 18, 2011 continuing the stay pending the Cherokee Nation Supreme Court decision on the appeal. On August 22, 2011, the Cherokee Nation Supreme Court reversed the decision of the district court, holding that the constitutional amendment was valid, and vacating the stay. On September 20, 2011, a hearing occurred in the District of Columbia on a preliminary injunction, staying the effect of the Cherokee Nation Supreme Court order. An agreed order was entered, effectively reinstating the status quo to the point prior to the Supreme Court's August decision. The District of Columbia federal judge subsequently upheld the Nation's motion to dismiss. That matter was appealed to the Circuit Court of Appeals and on March 12, 2013 the Court of Appeals for the District of Columbia denied Cherokee Nation their request for rehearing en banc. This decision was not appealed by the Nation and therefore the case was remanded back to the DC District Court (Case No. 03-01313). The case is pending decision on the Nation's Motion for Summary Judgment. The pending action on the merits of the claims in the Northern District of Oklahoma has been transferred to the DC District Court (Case No. 03-01711). This case is stayed pursuant to resolution of the 03-01313 Motion for Summary Judgment. 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 certain of its component units receive significant federal funding from various federal agencies. The ability of the Nation to continue receiving this funding could be impacted by federal budgetary policies and practices. The grant programs are subject to audits by agents of the granting authority, the purpose of which is to insure compliance with conditions precedent with the granting of funds. Management does not believe any liability for reimbursement which may arise as the result of these audits will be material.

### *IHS Contract Support Cost Settlement*

The Nation currently has an open claim with the Indian Health Services (IHS) for unpaid Contract Support Costs (CSC) arising from a prior year. Based on historical practice, claims will settle upon the completion of individual discussions with tribes who have presented such claims to IHS. The IHS has affirmed their commitment to resolving tribal claims for unpaid CSC. Because of the significant uncertainties surrounding this claim, it is not possible to determine a reasonable estimate of the amount of any ultimate recovery from IHS and therefore no recovery has been recorded by the Nation as of September 30, 2016.

### *Other Legal Contingencies*

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

### *CNB Matters*

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

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

CNE has entered into motor fuel marketing agreements with a vendor to purchase motor fuel products for sale at the Roland Travel Plaza in Roland, Oklahoma. The agreement is effective the first day of the month following completion and expires in 2017. Total purchases under this agreement were \$3,500,000 in 2016.

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

In November 2008, CNE entered into a licensing agreement with Hard Rock Hotel Holding, LLC and HRHH IP, LLC. Under the terms of the agreement, CNE branded its Catoosa property under the Hard Rock Hotel and Casino name effective August 2009. CNE is required to make monthly license payments based on a percentage of Catoosa property revenues, as defined in the agreement. CNE recognizes the portion of the minimum fee paid each month that exceeds the calculated amount as an intangible asset. The intangible asset is being amortized over the 12-year life of the license agreement. The minimum amount of fees paid is expensed and included in operating expense in the statement of revenues, expenses and changes in net position. In addition to paying a license fee under the Hard Rock license agreement, CNE is also required to make annual lease payments for memorabilia displayed throughout the Catoosa property. As a requirement to the agreement, CNE is also required to meet certain operational and capital standards. As of September 30, 2016, CNE believes it is in compliance with the agreement.

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

At September 30, 2016, CNE had a construction project underway for the building of a casino in Grove, Oklahoma. The remaining estimated cost for the project at September 30, 2016, was approximately

\$20,000,000. These remaining costs are expected to be incurred during 2017. The facility in Grove began operations in December 2016.

*HACN Matters*

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

*Loan Guarantees*

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

**19. SUBSEQUENT EVENTS**

Subsequent to September 30, 2016, the Nation called the remaining outstanding bonds in the amount of \$12,160,000 for the Cherokee Nation Health Care System Bonds Series 2006. As of December 1, 2016, all outstanding principal and accrued interest has been paid to the bondholders and all debt related to the 2006 bond issue has been retired.



*Our Nation's Natural Resources*



*American Bison Calf*



**OTHER SUPPLEMENTARY  
INFORMATION**

2016 COMPREHENSIVE ANNUAL FINANCIAL REPORT

*Our Nation's Natural Resources*



*Lake Tenkiller*



# NONMAJOR GOVERNMENTAL FUNDS

2016 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 tribal jurisdictional service area.
- **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 Native Americans, as well as from the Department of Health and Human Services to provide child care services for low-income families with a parent that is working or attending a training or educational program.
- **Other Grants** – Established to account for various sources of grant funds used to fund specific program activities.
- **Tribal Judgment Funds** – Established to account for monies received by the Nation from the settlement of disputes with the United States Government. The judgment funds are expended in accordance with plans for use and distribution adopted by the Nation and approved as applicable, by the DOI. The judgment funds are held and invested by the DOI Office of Trust Fund Management (OTFM) on behalf and for the benefit of the Nation.
- **Tribal Trusts** – Established to account for income received from external users of tribal lands, such as oil and gas royalties. The DOI OTFM administers these funds which may be expended upon request and approval by the DOI.

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

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

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

CHEROKEE NATION  
 COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2016  
 (Dollars in Thousands)

	Special Revenue Funds										Debt Service			Permanent Funds			Total Nonmajor Governmental Funds
	Self Governance DOI-Other	Sequoyah Education	Talking Leaves Job Corps	Diabetes	Food Distribution	Women, Infants, & Children Head Start	PL 102-477	Other Grants	Tribal Judgment Funds	Tribal Trusts	Tribal Trusts	Debt Service Fund	Sequoyah Endowment	Gammon Education Trust	Skinner Family Living Trust	Total	
<b>ASSETS</b>																	
Cash and cash equivalents	\$ 5,839	\$ 9,611	\$ 25	\$ 6,097	\$ -	\$ -	\$ 4,819	\$ 726	\$ 1,635	\$ 1,402	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,154	
Investments	-	-	-	-	-	-	5,248	-	10,605	2,307	-	-	-	-	-	18,160	
Receivables, net	3	-	1,314	-	283	31	8	3,381	26	79	-	-	-	-	-	5,362	
Due from other funds	-	-	-	-	-	417	-	520	-	-	-	-	-	-	-	955	
Due from component units	-	-	-	-	-	-	18	-	-	-	-	-	-	-	-	10	
Inventories	-	-	-	-	-	-	-	10	-	-	-	-	-	-	-	10	
Other current assets	11	-	-	-	1,042	-	-	-	-	-	-	-	-	-	-	1,042	
Restricted cash, cash equivalents and investments	-	-	-	-	-	272	-	-	-	-	-	-	291	-	-	283	
<b>Total assets</b>	<b>\$ 5,853</b>	<b>\$ 9,611</b>	<b>\$ 1,339</b>	<b>\$ 6,097</b>	<b>\$ 1,325</b>	<b>\$ 720</b>	<b>\$ 10,093</b>	<b>\$ 4,637</b>	<b>\$ 12,266</b>	<b>\$ 3,788</b>	<b>\$ 186</b>	<b>\$ 212</b>	<b>\$ 291</b>	<b>\$ -</b>	<b>\$ 503</b>	<b>\$ 56,655</b>	
<b>LIABILITIES AND FUND BALANCES</b>																	
<b>Liabilities:</b>																	
Accrued liabilities	\$ -	\$ 59	\$ 3	\$ -	\$ 13	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 75	
Due to other funds	1,990	3,688	1,336	105	270	-	-	-	1,784	21	44	-	-	-	-	9,475	
Due to component unit	25	-	-	-	-	-	-	-	-	-	-	-	-	-	-	25	
Other liabilities	-	-	-	-	-	13	-	-	-	-	-	-	-	-	-	13	
Unearned revenue	3,838	5,853	-	5,992	1,042	707	9,407	789	-	-	-	-	-	-	-	27,628	
<b>Total liabilities</b>	<b>5,853</b>	<b>9,600</b>	<b>1,339</b>	<b>6,097</b>	<b>1,325</b>	<b>720</b>	<b>9,407</b>	<b>789</b>	<b>1,784</b>	<b>21</b>	<b>44</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>37,216</b>	
<b>Fund balances:</b>																	
Nonspendable	-	-	-	-	-	-	-	-	-	-	-	-	291	-	-	425	
Restricted	-	11	-	-	-	-	686	3,848	10,482	3,767	142	78	-	-	-	19,014	
<b>Total fund balances</b>	<b>-</b>	<b>11</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>686</b>	<b>3,848</b>	<b>10,482</b>	<b>3,767</b>	<b>142</b>	<b>78</b>	<b>291</b>	<b>-</b>	<b>503</b>	<b>19,439</b>	
<b>Total liabilities and fund balances</b>	<b>\$ 5,853</b>	<b>\$ 9,611</b>	<b>\$ 1,339</b>	<b>\$ 6,097</b>	<b>\$ 1,325</b>	<b>\$ 720</b>	<b>\$ 10,093</b>	<b>\$ 4,637</b>	<b>\$ 12,266</b>	<b>\$ 3,788</b>	<b>\$ 186</b>	<b>\$ 212</b>	<b>\$ 291</b>	<b>\$ -</b>	<b>\$ 503</b>	<b>\$ 56,655</b>	



*Our Nation's Natural Resources*



*Jewel Weed and Cochan*



# NONMAJOR ENTERPRISE FUNDS

2016 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, net position and capital maintenance. The nonmajor enterprise funds of the Nation include:

- **Tsa-La-Gi Apartments** – Utilized to account for the operations of the Nation’s federally subsidized low-income housing apartment complex, whose operating focus is to provide housing for qualified applicants and to recover costs of operations.
- **CN Sanitary Landfill** – Utilized to account for the solid waste landfill operations and closure/postclosure for the landfill located 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 by conventional lending sources.

# CHEROKEE NATION

## COMBINING STATEMENT OF NET POSITION - NONMAJOR ENTERPRISE FUNDS

SEPTEMBER 30, 2016

(Dollars in Thousands)

	Tsa-La-Gi Apartments	CN Sanitary Landfill	EDTA	Total
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 504	\$ 82	\$ 2,060	\$ 2,646
Accounts receivable, net	-	184	-	184
Due from other funds	-	772	41	813
Due from component units	-	55	-	55
Notes receivable, current	-	-	1,939	1,939
Other current assets	2	-	-	2
Total current assets	<u>506</u>	<u>1,093</u>	<u>4,040</u>	<u>5,639</u>
Noncurrent assets:				
Restricted cash and cash equivalents	333	2,973	-	3,306
Long-term notes receivable	-	-	5,606	5,606
Capital assets, net	338	1,879	-	2,217
Total noncurrent assets	<u>671</u>	<u>4,852</u>	<u>5,606</u>	<u>11,129</u>
Total assets	<u>1,177</u>	<u>5,945</u>	<u>9,646</u>	<u>16,768</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accrued liabilities	5	1	-	6
Current portion of long-term debt	-	-	64	64
Current portion of capital leases	-	214	-	214
Due to other funds	75	-	-	75
Other current liabilities	25	25	(1)	49
Total current liabilities	<u>105</u>	<u>240</u>	<u>63</u>	<u>408</u>
Noncurrent liabilities:				
Long-term debt	-	-	999	999
Capital leases	-	802	-	802
Other liabilities	-	3,020	-	3,020
Total noncurrent liabilities	<u>-</u>	<u>3,822</u>	<u>999</u>	<u>4,821</u>
Total liabilities	<u>105</u>	<u>4,062</u>	<u>1,062</u>	<u>5,229</u>
<b>NET POSITION</b>				
Net investment in capital assets	338	863	-	1,201
Restricted for:				
Capital replacements	287	-	-	287
Unrestricted	447	1,020	8,584	10,051
Total net position	<u>\$ 1,072</u>	<u>\$ 1,883</u>	<u>\$ 8,584</u>	<u>\$ 11,539</u>



# CHEROKEE NATION

## COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - NONMAJOR ENTERPRISE FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2016 (Dollars in Thousands)

	Tsa-La-Gi Apartments	CN Sanitary Landfill	EDTA	Total
Operating revenues:				
Property rentals	\$ 544	\$ -	\$ -	\$ 544
Charges for services and goods	-	291	-	291
Interest income, loans	-	-	288	288
Other	3	1	65	69
Total operating revenues	<u>547</u>	<u>292</u>	<u>353</u>	<u>1,192</u>
Operating expenses:				
Salaries and wages	76	62	-	138
Other services and charges	369	214	6	589
Materials and supplies	31	1	-	32
Depreciation	48	40	-	88
Total operating expenses	<u>524</u>	<u>317</u>	<u>6</u>	<u>847</u>
Operating income (loss)	<u>23</u>	<u>(25)</u>	<u>347</u>	<u>345</u>
Nonoperating revenues (expenses):				
Interest income	1	6	1	8
Interest expense	-	(3)	(11)	(14)
Net nonoperating revenues (expenses)	<u>1</u>	<u>3</u>	<u>(10)</u>	<u>(6)</u>
Income (loss) before transfer of operations and transfers	24	(22)	337	339
Transfer of operations	-	1,905	-	1,905
Transfers in	-	-	937	937
Change in net position	24	1,883	1,274	3,181
Total net position - beginning	<u>1,048</u>	<u>-</u>	<u>7,310</u>	<u>8,358</u>
Total net position - ending	<u>\$ 1,072</u>	<u>\$ 1,883</u>	<u>\$ 8,584</u>	<u>\$ 11,539</u>

# CHEROKEE NATION

## COMBINING STATEMENT OF CASH FLOWS - NONMAJOR ENTERPRISE FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2016 (Dollars in Thousands)

	Tsa-La-Gi Apartments	CN Sanitary Landfill	EDTA	Total
<b>Cash flows from operating activities:</b>				
Receipts from customers	\$ 544	\$ 107	\$ -	\$ 651
Payments to suppliers	(412)	(189)	(8)	(609)
Payments to employees	(76)	(62)	-	(138)
Internal activity - payments to other funds	-	(772)	-	(772)
Internal activity - payments from other funds	68	-	6	74
Internal activity - payments from component units	-	115	-	115
Interest received on loans	-	-	288	288
Other receipts	3	1	65	69
Net cash provided by (used for) operating activities	<u>127</u>	<u>(800)</u>	<u>351</u>	<u>(322)</u>
<b>Cash flows from noncapital financing activities:</b>				
Transfer from other funds	-	-	937	937
Transfer to CNWM	-	(14)	-	(14)
Principal paid on notes payable	-	-	(62)	(62)
Interest paid on notes payable	-	-	(11)	(11)
Net cash provided by (used for) noncapital financing activities	<u>-</u>	<u>(14)</u>	<u>864</u>	<u>850</u>
<b>Cash flows from capital and related financing activities:</b>				
Proceeds from capital debt and leases	-	1,016	-	1,016
Interest paid on capital debt and leases	-	(3)	-	(3)
Net cash used for capital and related financing activities	<u>-</u>	<u>1,013</u>	<u>-</u>	<u>1,013</u>
<b>Cash flows from investing activities:</b>				
Interest received	1	6	1	8
Increase in notes receivable, net	-	-	(1,267)	(1,267)
Net cash provided by (used for) investing activities	<u>1</u>	<u>6</u>	<u>(1,266)</u>	<u>(1,259)</u>
Net increase (decrease) in cash and cash equivalents	128	205	(51)	282
Cash and cash equivalents, October 1, 2015	<u>709</u>	<u>2,850</u>	<u>2,111</u>	<u>5,670</u>
Cash and cash equivalents, September 30, 2016	<u>\$ 837</u>	<u>\$ 3,055</u>	<u>\$ 2,060</u>	<u>\$ 5,952</u>
Cash and cash equivalents consist of:				
Unrestricted cash and cash equivalents	\$ 504	\$ 82	\$ 2,060	\$ 2,646
Restricted cash and cash equivalents	333	2,973	-	3,306
Total Cash and Cash Equivalents, September 30, 2016	<u>\$ 837</u>	<u>\$ 3,055</u>	<u>\$ 2,060</u>	<u>\$ 5,952</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>				
Operating income (loss)	\$ 23	\$ (25)	\$ 347	\$ 345
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	48	40	-	88
Change in assets and liabilities:				
Receivables, net	-	(919)	6	(913)
Accounts and other payables	56	104	(2)	158
Net cash provided by (used for) operating activities	<u>\$ 127</u>	<u>\$ (800)</u>	<u>\$ 351</u>	<u>\$ (322)</u>

*Our Nation's Natural Resources*



*Pine Cove - Lake Tenkiller*



# INTERNAL SERVICE FUNDS

2016 COMPREHENSIVE ANNUAL FINANCIAL REPORT

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

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

# CHEROKEE NATION

## COMBINING STATEMENT OF NET POSITION - INTERNAL SERVICE FUNDS

SEPTEMBER 30, 2016

(Dollars in Thousands)

	<u>Internal Leases</u>	<u>Fringe Pool</u>	<u>Indirect Cost Pool</u>	<u>Total</u>
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ -	\$ -	\$ 115	\$ 115
Accounts receivable, net	-	279	101	380
Due from other funds	-	15,446	4,632	20,078
Due from component units	-	-	116	116
Inventories	-	-	152	152
Other current assets	-	40	542	582
Total current assets	<u>-</u>	<u>15,765</u>	<u>5,658</u>	<u>21,423</u>
Noncurrent assets:				
Capital assets, net	<u>9,337</u>	<u>-</u>	<u>1,529</u>	<u>10,866</u>
Total noncurrent assets	<u>9,337</u>	<u>-</u>	<u>1,529</u>	<u>10,866</u>
Total assets	<u>9,337</u>	<u>15,765</u>	<u>7,187</u>	<u>32,289</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accrued liabilities	-	11,606	796	12,402
Due to other funds	2,743	-	-	2,743
Due to component unit	-	57	-	57
Compensated absences	-	7,376	-	7,376
Other current liabilities	-	3,525	3,732	7,257
Total current liabilities	<u>2,743</u>	<u>22,564</u>	<u>4,528</u>	<u>29,835</u>
Total liabilities	<u>2,743</u>	<u>22,564</u>	<u>4,528</u>	<u>29,835</u>
<b>NET POSITION</b>				
Net investment in capital assets	9,337	-	1,529	10,866
Unrestricted (deficit)	<u>(2,743)</u>	<u>(6,799)</u>	<u>1,130</u>	<u>(8,412)</u>
Total net position	<u>\$ 6,594</u>	<u>\$ (6,799)</u>	<u>\$ 2,659</u>	<u>\$ 2,454</u>

## CHEROKEE NATION

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016  
(Dollars in Thousands)**

	Internal Leases	Fringe Pool	Indirect Cost Pool	Total
Operating revenues:				
Property rentals	\$ 7	\$ -	\$ -	\$ 7
Charges for services and goods	4,606	80,465	43,480	128,551
Other	180	-	239	419
Total operating revenues	<u>4,793</u>	<u>80,465</u>	<u>43,719</u>	<u>128,977</u>
Operating expenses:				
Salaries and wages	2,338	78,102	25,447	105,887
Other services and charges	1,398	26	17,067	18,491
Materials and supplies	407	-	1,739	2,146
Depreciation	569	-	655	1,224
Total operating expenses	<u>4,712</u>	<u>78,128</u>	<u>44,908</u>	<u>127,748</u>
Operating income (loss)	<u>81</u>	<u>2,337</u>	<u>(1,189)</u>	<u>1,229</u>
Nonoperating revenues (expenses):				
Gain/(loss) on sale of capital assets	-	-	(37)	(37)
Net nonoperating revenues (expenses)	<u>-</u>	<u>-</u>	<u>(37)</u>	<u>(37)</u>
Income (loss) before transfers	81	2,337	(1,226)	1,192
Transfers in	-	-	229	229
Change in net position	81	2,337	(997)	1,421
Total net position - beginning	<u>6,513</u>	<u>(9,136)</u>	<u>3,656</u>	<u>1,033</u>
Total net position - ending	<u>\$ 6,594</u>	<u>\$ (6,799)</u>	<u>\$ 2,659</u>	<u>\$ 2,454</u>

# CHEROKEE NATION

## COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2016 (Dollars in Thousands)

	<u>Internal Leases</u>	<u>Fringe Pool</u>	<u>Indirect Cost Pool</u>	<u>Total</u>
<b>Cash flows from operating activities:</b>				
Receipts from customers - other funds	\$ 4,613	\$ 77,410	\$ 43,503	\$ 125,526
Payments to suppliers	(1,805)	-	(23,756)	(25,561)
Payments to employees	(2,338)	(78,092)	(25,447)	(105,877)
Internal activity - payments to other funds	(25)	(3,860)	-	(3,885)
Internal activity - payments from other funds	-	-	5,326	5,326
Internal activity - payments to component units	-	-	(44)	(44)
Internal activity - payments from component units	-	156	-	156
Other receipts	180	-	239	419
Net cash provided by (used for) operating activities	<u>625</u>	<u>(4,386)</u>	<u>(179)</u>	<u>(3,940)</u>
<b>Cash flows from noncapital financing activities</b>				
Transfer from other funds	-	-	229	229
Net cash provided by noncapital financing activities	<u>-</u>	<u>-</u>	<u>229</u>	<u>229</u>
<b>Cash flows from capital and related financing activities:</b>				
Purchases of capital assets	(625)	-	(101)	(726)
Net cash (used for) capital and related financing activities	<u>(625)</u>	<u>-</u>	<u>(101)</u>	<u>(726)</u>
Net increase (decrease) in cash and cash equivalents	-	(4,386)	(51)	(4,437)
Cash and cash equivalents, October 1, 2015	-	4,386	166	4,552
Cash and cash equivalents, September 30, 2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 115</u>	<u>\$ 115</u>
Cash and cash equivalents consist of:				
Unrestricted cash and cash equivalents	\$ -	\$ -	\$ 115	\$ 115
Total Cash and Cash Equivalents, September 30, 2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 115</u>	<u>\$ 115</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>				
Operating income (loss)	\$ 81	\$ 2,337	\$ (1,189)	\$ 1,229
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	569	-	655	1,224
Change in assets and liabilities:				
Receivables, net	-	(3,286)	5,305	2,019
Inventories	-	-	(6)	(6)
Other current assets	-	-	(56)	(56)
Accounts and other payables	(25)	(3,437)	(4,888)	(8,350)
Net cash provided by (used for) operating activities	<u>\$ 625</u>	<u>\$ (4,386)</u>	<u>\$ (179)</u>	<u>\$ (3,940)</u>

*Our Nation's Natural Resources*



*Wild Watercress*



# BUDGETARY INFORMATION

2016 COMPREHENSIVE ANNUAL FINANCIAL REPORT



# CHEROKEE NATION

**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -  
BUDGET AND ACTUAL (GAAP BASIS) - ENTERPRISE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016  
(Dollars in Thousands)**

	Budgeted Amounts		Actual	Variance with Final Budget over/(under)
	Original	Final		
Operating revenues:				
Property rentals	\$ 508	\$ 508	\$ 544	\$ 36
Charges for services and goods	-	208	291	83
Interest income, loans	604	604	339	(265)
Other	55	55	69	14
Total operating revenues	1,167	1,375	1,243	(132)
Operating expenses:				
Salaries and wages	72	179	138	(41)
Other services and charges	2,823	3,105	589	(2,516)
Materials and supplies	19	26	32	6
Depreciation	48	227	88	(139)
Total operating expenses	2,962	3,537	847	(2,690)
Operating income (loss)	(1,795)	(2,162)	396	2,558
Nonoperating revenues(expenses):				
Interest income	-	-	8	8
Interest expense	(362)	(366)	(65)	301
Net nonoperating revenue (expenses)	(362)	(366)	(57)	309
Income (loss) before transfer of operations and transfers	(2,157)	(2,528)	339	2,867
Transfer of operations	-	371	1,905	1,534
Transfers in	2,044	2,044	937	(1,107)
Change in net position	(113)	(113)	3,181	3,294
Total net position - beginning	8,362	8,362	8,362	-
Total net position - ending	\$ 8,249	\$ 8,249	11,543	\$ 3,294
Adjustment to reflect the consolidation of Internal Service Funds activities related to Enterprise Funds			(64)	
Net position of Enterprise Funds			\$11,479	

*Our Nation's Natural Resources*



*Red-tailed Hawk*



SECTION III  
**STATISTICAL**

2016 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 Indicators** – Demographic and economic indicators to enable users to understand the environment in which the government operates. Reports have been compiled similarly to prior years' reporting to maintain consistency.
- **Operating Information** – Schedules which contain service and program data to help users understand how the information contained in the government's financial report relates to the governmental activities performed.

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

**CHEROKEE NATION**

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Governmental Activities</b>										
Net investment in capital assets	\$ 53,781	\$ 62,021	\$ 74,152	\$ 78,468	\$ 94,667	\$ 102,104	\$ 123,091	\$ 135,395	\$ 175,662	\$ 192,687
Restricted	26,278	36,739	61,015	89,899	95,234	100,282	746,032	797,337	822,166	876,372
Unrestricted	83,373	87,255	68,411	50,110	49,656	61,251	32,510	54,656	42,231	41,043
<b>Total governmental activities net position</b>	<b>163,432</b>	<b>186,015</b>	<b>203,578</b>	<b>218,477</b>	<b>239,557</b>	<b>263,637</b>	<b>901,633</b>	<b>987,388</b>	<b>1,040,059</b>	<b>1,110,102</b>
<b>Business-type activities</b>										
Net investment in capital assets	162	204	253	457	514	533	483	435	386	1,201
Restricted	-	310	398	324	304	362	279	339	287	287
Unrestricted	1,072	2,029	2,478	3,128	4,052	4,800	5,263	5,655	7,624	9,991
<b>Total business-type activities net position</b>	<b>1,234</b>	<b>2,543</b>	<b>3,129</b>	<b>3,909</b>	<b>4,870</b>	<b>5,695</b>	<b>6,025</b>	<b>6,429</b>	<b>8,297</b>	<b>11,479</b>
<b>Primary government</b>										
Net investment in capital assets	53,943	62,225	74,405	78,925	95,181	102,637	123,574	135,830	176,048	193,888
Restricted	26,278	37,049	61,413	90,223	95,538	100,644	746,311	797,676	822,453	876,659
Unrestricted	84,445	89,284	70,889	53,238	53,708	66,051	37,773	60,311	49,855	51,034
<b>Total primary government net position</b>	<b>\$ 164,666</b>	<b>\$ 188,558</b>	<b>\$ 206,707</b>	<b>\$ 222,386</b>	<b>\$ 244,427</b>	<b>\$ 269,332</b>	<b>\$ 907,658</b>	<b>\$ 993,817</b>	<b>\$ 1,048,356</b>	<b>\$ 1,121,581</b>

2007 through 2012 net position is not comparable to 2013 and subsequent years due to the adoption of GASB 61.

**CHEROKEE NATION**

**CHANGES IN NET POSITION**

LAST TEN FISCAL YEARS (Dollars in Thousands)

(accrual basis of accounting)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Expenses</b>										
Governmental activities:										
Tribal Government	\$ 21,624	\$ 24,639	\$ 29,323	\$ 29,841	\$ 29,678	\$ 29,428	\$ 28,885	\$ 26,464	\$ 27,535	\$ 32,382
Health Services	92,163	103,177	179,806	206,013	224,634	244,547	256,465	266,606	300,161	303,202
Education Services	39,096	40,365	46,200	54,085	52,348	54,061	57,076	59,753	65,059	68,678
Human Services	28,962	37,003	36,231	37,932	38,588	38,575	40,432	40,917	42,996	45,461
Community Services	49,131	51,693	72,334	75,600	63,814	68,391	72,344	82,796	88,575	85,626
Other Tribal Services	15,650	15,033	-	-	-	-	-	-	-	-
Interest on long-term debt	3,044	1,503	1,525	1,309	1,722	1,569	1,414	1,274	1,140	1,046
Total governmental activities expenses	249,670	273,413	365,419	404,780	410,784	436,571	456,616	477,810	525,466	536,395
Business-type activities:										
Title VI Loan Fund	-	1,458	826	469	302	190	124	70	57	51
Tsa-La-Gi Apartments	388	394	393	387	459	473	492	488	488	523
CN Solitary Landfill	2,853	2,292	-	128	154	16	-	-	-	320
EDTA	139	373	73	47	67	46	124	232	155	17
Other Enterprises	18	-	-	-	-	-	-	-	-	-
Total business-type activities expenses	3,398	4,517	1,292	1,031	982	725	740	790	700	911
Total primary government expenses	\$ 253,068	\$ 277,930	\$ 366,711	\$ 405,811	\$ 411,766	\$ 437,296	\$ 457,356	\$ 478,600	\$ 526,166	\$ 537,306
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
Tribal Government	\$ 4	\$ -	\$ 640	\$ 4,237	\$ 4,116	\$ 4,458	\$ 4,535	\$ 4,778	\$ 4,651	\$ 4,869
Health Services	-	-	52,274	58,351	69,723	72,911	81,588	93,393	103,757	104,583
Community Services	-	1,120	4,054	994	799	714	12	8	7	12
Other Tribal Services	2,938	3,300	-	-	-	-	-	-	-	-
Increase in equity in component units	-	-	-	-	-	-	49,740	52,251	31,749	48,999
Operating grants and contributions	128,822	127,323	258,558	289,034	283,563	283,446	277,312	283,024	296,053	311,972
Capital grants and contributions	142	86	1,994	989	1,369	366	5,036	2,054	36,954	17,046
Total governmental activities program revenues	131,906	131,829	317,520	353,605	359,570	361,895	418,223	435,508	473,171	487,481
Business-type activities:										
Charges for services:										
Title VI Loan Fund	-	1,303	816	474	303	191	124	70	57	52
Tsa-La-Gi Apartments	498	525	519	514	508	521	511	528	533	547
Landfill Closure	2,044	1,126	-	128	154	-	-	-	-	298
EDTA	13	195	168	184	170	194	240	256	315	354
Other Enterprises	7	-	-	-	-	-	-	-	-	-
Total business-type activities program revenues	2,562	3,149	1,503	1,300	1,135	906	875	854	905	1,251
Total primary government program revenues	\$ 134,468	\$ 134,978	\$ 319,023	\$ 354,905	\$ 360,705	\$ 362,801	\$ 419,098	\$ 436,362	\$ 474,076	\$ 488,732
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (117,764)	\$ (141,584)	\$ (47,899)	\$ (51,175)	\$ (51,214)	\$ (74,676)	\$ (38,393)	\$ (42,302)	\$ (52,295)	\$ (48,914)
Business-type activities	(836)	(1,368)	211	269	153	181	135	64	205	340
Total primary government net expense	\$ (118,600)	\$ (142,952)	\$ (47,688)	\$ (50,906)	\$ (51,061)	\$ (74,495)	\$ (38,258)	\$ (42,238)	\$ (52,090)	\$ (48,574)
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Motor fuel tax	7,228	7,088	7,514	7,256	7,543	7,435	7,615	7,733	8,008	8,209
Motor vehicle tax	7,658	8,161	7,400	7,707	8,441	8,960	9,641	11,654	13,638	14,680
Tobacco tax	6,956	6,254	5,312	4,194	3,990	3,943	3,631	13,466	14,217	13,505
Sales tax	1,215	1,208	1,610	2,314	2,905	3,111	3,363	3,506	3,654	3,752
Grants and contributions not restricted to specific programs	76,989	100,355	10,398	11,143	13,394	11,676	12,844	12,503	12,740	14,494
Unrestricted investment earnings	7,631	5,439	2,293	2,056	1,393	1,141	864	634	531	726
Dividends from component units	33,669	35,001	26,444	26,429	30,074	56,806	44,109	47,392	45,448	50,139
Litigation settlement	-	-	-	-	-	-	-	-	1,839	8,349
Miscellaneous revenue	1,375	2,222	4,848	5,483	5,360	6,327	3,921	5,695	6,552	6,040
Special Items	-	-	-	-	-	-	-	25,813	-	-
Transfers	(1,441)	(1,561)	(357)	(508)	(806)	(643)	(194)	(339)	(1,661)	(937)
Total governmental activities	141,280	164,167	65,462	66,074	72,294	98,756	85,794	128,057	104,966	118,957
Business-type activities:										
Unrestricted investment earnings	393	72	18	3	2	1	1	1	2	-
Miscellaneous revenue	81	-	-	-	-	-	-	-	-	-
Gain/(loss) on disposals	-	1,044	-	-	-	-	-	-	-	-
Special item	(4,918)	-	-	-	-	-	-	25,813	-	-
Transfers	1,441	1,561	357	508	806	643	194	339	1,661	937
Transfer of operations	-	-	-	-	-	-	-	-	-	1,905
Total business-type activities	(3,003)	2,677	375	511	808	644	195	26,153	1,663	2,842
Total primary government	\$ 138,277	\$ 166,844	\$ 65,837	\$ 66,585	\$ 73,102	\$ 99,400	\$ 85,989	\$ 154,210	\$ 106,629	\$ 121,799
<b>Change in Net Position</b>										
Governmental activities	\$ 23,516	\$ 22,583	\$ 17,563	\$ 14,899	\$ 21,080	\$ 24,080	\$ 47,401	\$ 85,755	\$ 52,671	\$ 70,043
Business-type activities	(3,839)	1,309	586	780	961	825	330	404	1,868	3,182
Total primary government	\$ 19,677	\$ 23,892	\$ 18,149	\$ 15,679	\$ 22,041	\$ 24,905	\$ 47,731	\$ 86,159	\$ 54,539	\$ 73,225

2007 through 2012 change in net position is not comparable to 2013 and subsequent years due to the adoption of GASB 61.

# CHEROKEE NATION

## GOVERNMENTAL ACTIVITIES - TAX REVENUES BY SOURCE

### LAST TEN FISCAL YEARS

(Dollars in Thousands)

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<u>Year</u>	<u>Motor Fuel Tax</u>	<u>Motor Vehicle Tax</u>	<u>Tobacco Tax</u>	<u>Sales Tax</u>	<u>Total</u>
2016	\$ 8,209	\$ 14,680	\$ 13,505	\$ 3,752	\$ 40,146
2015	8,008	13,638	14,217	3,654	39,517
2014	7,733	11,654	13,466	3,506	36,359
2013	7,615	9,641	3,631	3,363	24,250
2012	7,435	8,960	3,943	3,111	23,449
2011	7,543	8,441	3,990	2,905	22,879
2010	7,256	7,707	4,194	2,314	21,471
2009	7,514	7,400	5,312	1,610	21,836
2008	7,088	8,161	6,254	1,208	22,711
2007	7,228	7,658	6,956	1,215	23,057

CHEROKEE NATION

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

General Fund	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Reserved	\$42,220	\$50,241	\$46,895	\$46,973	\$-	\$-	\$-	\$-	\$-	\$-
Unreserved	38,861	34,652	21,674	14,636	-	-	-	-	-	-
Restricted	-	-	-	-	39,447	41,777	45,286	47,233	52,602	57,932
Committed	-	-	-	-	6,353	11,548	6,012	8,581	10,042	7,953
Assigned	-	-	-	-	11,327	10,731	3,645	17,252	15,274	8,265
Unassigned	-	-	-	-	6,234	21,874	10,298	22,056	16,330	26,922
Total general fund	<u>\$81,081</u>	<u>\$84,893</u>	<u>\$68,569</u>	<u>\$61,609</u>	<u>\$63,361</u>	<u>\$85,930</u>	<u>\$65,241</u>	<u>\$95,122</u>	<u>\$94,248</u>	<u>\$101,072</u>
All Other Governmental Funds										
Reserved	\$41,018	\$32,896	\$59,642	\$102,399 *	\$-	\$-	\$-	\$-	\$-	\$-
Unreserved, reported in:										
Special revenue funds	-	-	-	-	-	-	-	-	-	-
Capital projects fund	-	-	-	-	-	-	-	-	-	-
Nonspendable	-	-	-	-	11,793	11,734	11,704	11,763	11,895	12,516
Restricted	-	-	-	-	75,852	46,771	47,629	43,724	31,303	30,556
Assigned	-	-	-	-	9,796	16,449	19,152	11,917	9,634	4,853
Total all other governmental funds	<u>\$41,018</u>	<u>\$32,896</u>	<u>\$59,642</u>	<u>\$102,399</u>	<u>\$97,441</u>	<u>\$74,954</u>	<u>\$78,485</u>	<u>\$67,404</u>	<u>\$52,832</u>	<u>\$47,925</u>

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

2007 through 2010 fund balances are not comparable to 2011 and subsequent years due to the adoption of GASB 54.

**CHEROKEE NATION**

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Revenues</b>										
Intergovernmental	\$178,508	\$203,570	\$255,401	\$289,094	\$285,686	\$285,150	\$284,143	\$290,204	\$300,277	\$318,043
Property rentals	575	1,750	4,225	4,432	4,136	4,255	691	956	801	895
Motor fuel tax revenues	7,228	7,088	7,514	7,256	7,543	7,435	7,615	7,733	8,008	8,209
Tax, license and fees	18,196	18,292	17,382	17,840	18,840	19,799	20,490	32,456	35,367	35,923
Interest	13,229	7,189	3,013	2,784	2,129	1,738	1,552	1,336	1,262	1,484
Trust fund income	67	190	100	101	105	127	96	21	-	-
Litigation settlement	-	-	-	-	-	-	-	-	1,839	8,349
Dividends from component units	33,669	35,001	26,444	26,429	30,074	56,806	44,109	47,392	45,448	50,139
Third party revenues	16,031	17,441	53,868	60,571	72,077	74,743	82,250	94,175	105,414	106,161
Income from HACN	-	-	5,851	1,425	1,500	1,945	-	-	-	-
Other	14,095	7,006	7,546	8,791	9,686	8,929	8,488	9,513	12,679	12,127
Total revenues	281,598	297,527	381,344	418,723	431,776	460,927	449,434	483,786	511,095	541,330
<b>Expenditures</b>										
Tribal Government	21,377	24,679	28,270	28,105	28,518	27,259	26,634	25,093	26,532	29,421
Health Services	94,478	103,009	177,697	201,773	220,201	236,307	246,947	259,612	289,789	293,368
Education Services	39,618	40,561	45,972	53,455	51,893	52,866	55,982	59,587	64,426	68,420
Human Services	29,238	37,290	36,214	37,625	38,315	37,829	39,761	40,738	42,514	45,167
Community Services	49,318	57,821	66,138	74,971	67,109	67,289	71,351	81,932	84,513	84,919
Other tribal services	15,705	14,640	-	-	-	-	-	-	-	-
Debt service										
Principal	10,912	2,002	5,003	2,148	3,710	3,630	3,525	3,475	3,555	2,400
Interest	2,911	908	1,498	1,251	1,699	1,567	1,435	1,301	1,168	1,058
Capital outlay	26,190	15,436	9,958	7,489	22,853	33,620	20,797	17,996	12,386	16,217
Total expenditures	289,747	296,346	370,750	406,817	434,298	460,367	466,432	489,734	524,883	540,970
Excess (deficiency) of revenues over expenditures	(8,149)	1,181	10,594	11,906	(2,522)	560	(16,998)	(5,948)	(13,788)	360
<b>Other Financing Sources (Uses)</b>										
Issuance of long-term debt	34,660	1,448	-	24,000	-	-	-	-	2,511	2,511
Insurance recoveries	8	244	273	399	122	165	37	278	102	212
Transfers in	20,637	15,549	9,957	21,191	8,587	18,434	19,521	10,772	6,878	8,760
Transfers out	(21,963)	(22,732)	(10,402)	(21,699)	(9,393)	(19,077)	(19,718)	(11,162)	(8,638)	(9,926)
Total other financing sources (uses)	33,342	(5,491)	(172)	23,891	(684)	(478)	(160)	(112)	853	1,557
Special Item:										
Proceeds from settlement	-	-	-	-	-	-	-	24,860	-	-
Net change in fund balances	\$ 25,193	\$ (4,310)	\$ 10,422	\$ 35,797	\$ (3,206)	\$ 82	\$ (17,158)	\$ 18,800	\$ (12,935)	\$ 1,917
Debt service as a percentage of noncapital expenditures	5.24%	1.04%	1.80%	0.85%	1.31%	1.22%	1.11%	1.01%	0.92%	0.66%



# CHEROKEE NATION

## GOVERNMENTAL ACTIVITIES - MOTOR VEHICLE TAX REGISTRATIONS LAST TEN FISCAL YEARS

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<u>Year</u>	<u>Motor Vehicle Registrations</u>	<u>Boat/ Motor Registrations</u>	<u>Total All Registrations</u>
2016	37,835	1,573	39,408
2015	35,946	1,299	37,245
2014	29,507	1,188	30,695
2013	23,318	941	24,259
2012	22,192	912	23,104
2011	21,203	771	21,974
2010	19,322	651	19,973
2009	18,300	593	18,893
2008	21,201	621	21,822
2007	20,548	723	21,271

Source: Cherokee Nation Tax Commission

**CHEROKEE NATION**

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

Fiscal Year	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Motor Fuel Tax	Motor Vehicle Tax	Other Tax Revenues	Unrestricted Grants & Contributions	Investment Earnings	Dividends from Component Units	Litigation Settlement	Miscellaneous	Total
2016	\$ 159,714	\$ 311,972	\$ 17,046	\$ 8,209	\$ 14,680	\$ 17,257	\$ 14,494	\$ 726	\$ 50,139	\$ 8,349	\$ 6,040	\$ 608,626
2015	141,069	296,053	36,954	8,008	13,638	17,871	12,740	533	45,448	1,839	6,552	580,705
2014	151,284	283,024	2,054	7,733	11,654	16,972	12,503	635	47,392	-	5,695	538,946
2013	136,750	277,312	5,036	7,615	9,641	6,994	12,844	864	44,109	-	3,921	505,086
2012	78,989	283,446	366	7,435	8,960	7,054	11,676	1,142	56,806	-	6,327	462,201
2011	75,773	283,563	1,369	7,543	8,441	6,895	13,394	1,395	30,074	-	5,360	433,807
2010	64,882	289,034	989	7,256	7,707	6,508	11,143	2,059	26,429	-	5,483	421,490
2009	58,471	258,558	1,994	7,514	7,400	6,922	10,398	2,311	26,444	-	4,848	384,860
2008	7,569	127,323	86	7,088	8,161	7,462	100,355	5,511	35,001	-	2,222	300,778
2007	5,504	128,822	142	7,228	7,658	8,171	76,989	8,024	33,669	-	1,456	277,663

2007 through 2012 revenue sources are not comparable to 2013 and subsequent years due to the adoption of GASB 61.

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

**CHEROKEE NATION**

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

Fiscal Year	Tribal Government	Health Services	Education Services	Human Services	Community Services	Other Tribal Services	Interest on Long Term Debt	Title VI	Tsa-La-Gi Apartments	CN		Other Enterprises	Total
										Sanitary Landfill	EDTA		
2016	\$ 32,382	\$ 303,202	\$ 68,678	\$45,461	\$ 85,626	\$ -	\$ 1,046	\$ 51	\$ 523	\$ 320	\$ 17	\$ -	\$ 537,306
2015	27,535	300,161	65,059	42,996	88,575	-	1,140	57	488	-	155	-	526,166
2014	26,464	266,606	59,753	40,917	82,796	-	1,274	70	488	-	232	-	478,600
2013	28,885	256,465	57,076	40,432	72,344	-	1,414	124	492	-	124	-	457,356
2012	29,428	244,547	54,061	38,575	68,391	-	1,569	190	473	16	46	-	437,296
2011	29,678	224,634	52,348	38,588	63,814	-	1,722	302	459	154	67	-	411,766
2010	29,841	206,013	54,085	37,932	75,600	-	1,309	469	387	128	47	-	405,811
2009	29,323	179,806	46,200	36,231	72,334	-	1,525	826	393	-	73	-	366,711
2008	24,639	103,177	40,365	37,003	51,693	15,033	1,503	1,458	394	2,292	373	-	277,930
2007	21,624	92,163	39,096	28,962	49,131	15,650	3,044	-	388	2,853	139	18	253,068

**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				
2016	\$ 12,160	\$ 16,644	\$ -	\$ 4,651	\$ 1,016	\$ -	\$ 34,471	0.75%	\$ 283
2015	12,960	15,733	-	6,432	-	-	35,125	0.89%	\$ 319
2014	14,915	17,333	-	8,287	-	-	40,535	1.08%	\$ 378
2013	16,790	18,933	-	9,976	-	-	45,699	1.28%	\$ 433
2012	18,585	20,925	130	13,349	-	-	52,989	1.59%	\$ 514
2011	20,310	23,098	435	15,301	-	-	59,144	1.50%	\$ 495
2010	21,970	25,406	729	18,169	-	-	66,274	1.86%	\$ 566
2009	23,565	2,051	1,295	22,290	-	-	49,201	1.38%	\$ 420
2008	28,460	2,564	1,821	26,403	-	-	59,248	1.75%	\$ 513
2007	30,000	29,529	225	3,211	209	-	63,174	2.04%	\$ 572

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

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

**CHEROKEE NATION**  
**PLEDGED-REVENUE COVERAGE**  
**LAST NINE FISCAL YEARS (Dollars in Thousands)**

Fiscal Year	Health Revenue Bonds						
	Beginning Fund Balance	Revenues	Less: Expenses	Ending Fund Balance	Debt Service*		Coverage
					Principal	Interest	
2016	\$ 24,083	\$ 267,448	\$ 268,688	\$ 22,843	\$ 800	\$ 577	16.59
2015	34,877	261,698	272,492	24,083	1,955	636	9.29
2014	36,545	253,210	254,878	34,877	1,875	718	13.45
2013	34,076	227,368	224,899	36,545	1,795	797	14.10
2012	45,581	216,326	227,831	34,076	1,725	871	13.13
2011	43,820	211,620	209,859	45,581	1,660	940	17.53
2010	39,572	200,767	196,519	43,820	1,595	1,007	16.84
2009	14,014	183,734	158,176	39,572	4,706	1,480	6.40
2008	5,189	90,045	81,220	14,014	1,540	1,279	4.97
2007	7,697	74,750	77,258	5,189	-	582	8.92

Note: \* Debt service coverage is based upon fund balance generated from Health Care System Operations.

# CHEROKEE NATION

## DEMOGRAPHIC AND ECONOMIC STATISTICS LAST TEN FISCAL YEARS

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<u>Year</u>	<u>Population**</u>	<u>Personal Income*** (Dollars in Thousands)</u>	<u>Per Each One Personal Income****</u>	<u>Unemployment Rate*****</u>
2016 *	1,199,601	\$ 4,615,769	\$ 37,879	5.3
2015 *	1,188,464	3,947,473	35,795	4.4
2014 *	1,180,608	3,746,498	34,926	4.2
2013 *	1,172,064	3,569,576	33,789	5.4
2012 *	1,168,624	3,340,215	32,406	5.2
2011 *	1,167,294	3,947,252	33,015	5.9
2010 *	1,155,961	3,755,250	31,745	6.9
2009 *	1,144,628	3,572,586	30,524	6.9
2008 *	1,134,098	3,392,628	29,350	3.8
2007	1,122,869	3,097,833	28,034	4.3

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

Notes:

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

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

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

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

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

**CHEROKEE NATION**

**PRINCIPAL EMPLOYERS**

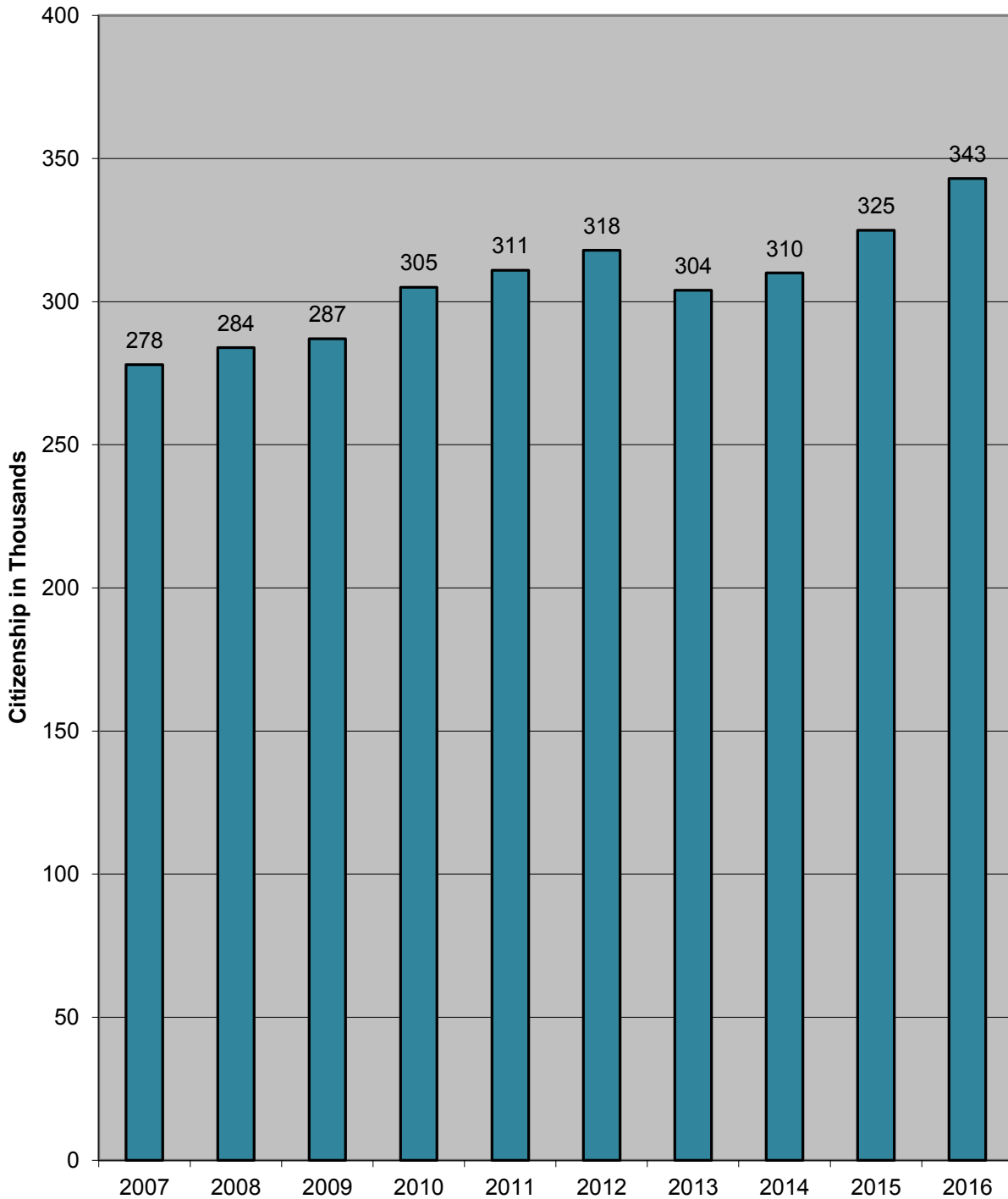
**CURRENT YEAR AND NINE YEARS AGO**

Employer	2007			2016		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
American Airlines & AA	9,100	1	41.03%	4,750	2	20.88%
Cherokee Nation *	1,790	3	8.07%	9,500	1	41.76%
Claremore City Schools	670	10	3.02%	750	7	3.30%
Conoco Phillips	2,400	2	10.82%	1,750	3	7.69%
Georgia Pacific Consumer Products	1,650	4	7.44%	750	8	3.30%
Grand River Dam Authority	-	-	0.00%	750	9	3.30%
Labinal Inc	502	10	2.26%	-	-	0.00%
NORDAM Group Inc	1,250	7	5.64%	-	-	0.00%
Northeastern Oklahoma State University	1,650	5	7.44%	1,250	4	5.49%
Owasso Independent School Dist #1-11	945	8	4.26%	1,250	5	5.49%
Tahlequah School District	620	9	2.80%	750	10	3.30%
Whirlpool Corporation	1,600	6	7.21%	1,250	6	5.49%
	<u>22,177</u>		<u>100%</u>	<u>22,750</u>		<u>100%</u>

Source: Oklahoma Department of Commerce, Avention

\*Including component units

### CHEROKEE NATION Tribal Citizenship



Source: Tribal Registration Department

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



## CHEROKEE NATION

### TRIBAL CITIZENSHIP BY DISTRICT LAST TEN FISCAL YEARS

District*	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Cherokee	16,759	17,242	17,603	18,688	19,120	19,830	20,443	20,368	21,912	22,278
Craig	6,998	7,086	7,137	7,427	7,431	7,515	7,823	7,697	8,058	8,320
Delaware	13,117	10,098	10,317	10,946	11,311	11,587	12,657	12,783	13,330	14,113
Keeler	13,527	13,834	13,991	14,666	14,698	14,947	15,300	15,055	15,931	16,638
Mayes	10,922	11,113	11,231	11,843	12,069	12,284	11,987	11,367	11,754	12,346
Sequoyah	12,868	13,088	13,247	13,769	13,893	14,189	14,204	13,945	14,583	15,109
Three Rivers	15,336	15,564	15,710	16,478	16,594	16,832	8,642	9,027	8,718	9,259
Trail of Tears	11,666	12,054	12,286	12,877	13,110	13,318	12,987	13,075	13,726	14,043
Will Rogers	11,009	8,105	8,396	9,270	9,755	10,237	15,266	15,607	16,704	23,022
Other	166,089	176,229	178,051	189,011	193,271	197,088	184,895	191,474	199,946	207,934
<b>Total Citizenship</b>	<b>278,291</b>	<b>284,413</b>	<b>287,969</b>	<b>304,975</b>	<b>311,252</b>	<b>317,827</b>	<b>304,204</b>	<b>310,398</b>	<b>324,662</b>	<b>343,062</b>

Source: Tribal Registration Department

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

## CHEROKEE NATION

### TRIBAL LAND BASE (ACRES) BY COUNTY FOR THE YEAR ENDED SEPTEMBER 30, 2016

County	Tribal Land	Government Land	Restricted Individual	Total Acres
<u>Cherokee Nation:</u>				
Oklahoma:				
Adair	14,802	19	10,271	25,091
Cherokee	2,183	97	9,439	11,719
Craig	327	-	1,843	2,170
Delaware	25,023	10	6,503	31,536
McIntosh	-	-	596	596
Mayes	373	10	5,364	5,747
Muskogee	500	-	2,342	2,842
Nowata	38	-	610	648
Ottawa	-	-	79	79
Rogers	536	10	801	1,347
Sequoyah	2,902	40	5,623	8,565
Tulsa	47	-	204	251
Wagoner	-	-	225	225
Washington	240	-	1,719	1,959
Arkansas Riverbed	14,715	-	-	14,715
<u>Counties Outside Territorial Boundaries:</u>				
Oklahoma:				
Kay	4,230	-	-	4,230
Atoka	10	-	-	10
Choctaw	40	-	-	40
Pittsburg	10	-	-	10
Stephens	80	-	-	80
Texas:				
Red River	630	-	-	630
Dallas	5	-	-	5
Paris	66	-	-	66
Total	<u>66,756</u>	<u>186</u>	<u>45,619</u>	<u>112,561</u>

Source: Cherokee Nation Real Estate Services

## CHEROKEE NATION

### PRIMARY GOVERNMENT EMPLOYEES BY FUNCTION

#### LAST TEN FISCAL YEARS

Regular full-time employees only

<b>Function:</b>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Tribal Government	238	259	528	466	481	472	489	509	576	583
Health Services	640	726	924	1,039	1,112	1,198	1,270	1,315	1,392	1,489
Education Services	387	408	427	474	460	444	442	444	433	430
Human Services	276	291	304	313	322	328	328	335	339	365
Community Services	163	329	362	441	432	428	296	304	297	271
Other Tribal Services	243	241	-	-	-	-	-	-	-	-
<b>Total</b>	<u>1,947</u>	<u>2,254</u>	<u>2,545</u>	<u>2,733</u>	<u>2,807</u>	<u>2,870</u>	<u>2,825</u>	<u>2,907</u>	<u>3,037</u>	<u>3,138</u>

Source: Financial Resources Department

**CHEROKEE NATION**

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

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Health Services</b>										
Ambulatory care visits	144,228	151,916	307,491	328,574	363,112	369,957	382,614	413,862	423,902	488,074
Dental patient visits	23,050	21,543	37,786	43,914	30,806	55,402	61,274	68,637	74,604	80,996
Pharmacy patient visits	74,976	79,487	119,075	247,299	307,394	379,191	435,855	484,595	480,390	609,490
Pharmacy prescription filled	500,675	501,601	672,905	1,086,505	1,461,526	1,678,692	1,828,359	1,927,395	1,961,582	1,686,360
<b>Education Services</b>										
Higher Education applications received	2,193	2,304	2,512	2,980	3,158	3,828	3,287	3,846	4,272	4,963
Higher Education applications funded	2,095	2,108	2,141	2,768	3,033	2,447	3,065	3,430	3,805	4,167
Head Start students	838	355	328	384	344	324	305	145	182	152
Immersion Class students	42	30	49	47	56	100	105	117	104	101
Sequoyah High School students	381	383	394	395	342	284	379	375	366	374
<b>Human Services</b>										
Child Care children served through subsidy	3,649	3,854	4,537	3,333	3,724	3,230	3,040	3,150	2,430	2,541
Child Care contracted providers	801	729	636	725	614	622	546	404	529	529
Child Care technical assistance calls and visits	2,178	3,053	5,614	3,961	2,886	1,967	1,965	1,799	1,001	925
Child Care monitoring visits to caregivers	1,124	1,124	957	1,031	1,020	1,038	1,001	1,000	982	1,194
Food Distribution - individuals served	105,768	114,305	130,253	121,788	104,926	110,394	109,579	127,757	133,190	139,211
Food Distribution - households served	43,237	46,049	51,716	49,640	52,087	47,582	47,428	55,414	59,339	62,505
Tribal Work Experience program participants	13	-	-	-	-	-	-	-	-	-
Elder Service Advocacy individuals served	1,431	1,064	642	640	572	252	279	329	703	1,311
<b>Community Services</b>										
Roads/bridges project miles completed	66.12	128.70	58.22	133.15	50.95	72.82	51.49	68.84	71.77	77.81
Families served through rental assistance	2,927	2,578	1,546	1,549	1,366	1,929	2,189	1,880	2,673	2,554
Families subsidized in Title VI units	-	305	295	274	274	268	238	240	234	221
Rehabilitation of privately owned homes	305	565	209	315	346	379	609	629	610	295
Acquired or constructed individual homes for low-income families	1	13	12	14	9	40	38	29	158	277
Businesses funded through Commerce programs	7	12	21	28	53	20	28	18	24	41
Participants enrollments in IDA/YIDA	42	24	30	104	131	130	146	210	453	465

Source: Departments/programs as listed

**CHEROKEE NATION**

**CAPITAL ASSET UTILIZATION BY FUNCTION**

**PRIMARY GOVERNMENT**

**LAST TEN FISCAL YEARS**

**(Net of Depreciation, Dollars in Thousands)**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>Governmental activities:</b>										
Tribal Government	\$ 2,424	\$ 3,013	\$41,269	\$ 40,956	\$ 42,732	\$ 43,950	\$ 49,706	\$ 52,295	\$ 52,873	\$ 65,734
Health Services	33,898	41,238	45,261	46,134	60,260	84,086	88,522	95,747	131,097	136,691
Education Services	8,885	9,479	9,622	9,968	10,323	10,124	10,067	9,698	9,302	8,963
Human Services	396	571	902	1,173	1,111	1,502	6,205	6,152	5,891	5,661
Community Services	2,189	3,264	2,715	3,336	5,137	6,947	4,555	4,288	5,192	4,442
Other Tribal Services	32,502	37,251	-	-	-	-	-	-	-	-
Governmental activities, net	<u>\$80,294</u>	<u>\$94,816</u>	<u>\$99,769</u>	<u>\$101,567</u>	<u>\$119,563</u>	<u>\$146,609</u>	<u>\$159,055</u>	<u>\$168,180</u>	<u>\$204,355</u>	<u>\$221,491</u>
<b>Business-type activities:</b>										
Enterprise Funds	\$ 900	\$ 599	\$ 548	\$ 645	\$ 588	\$ 533	\$ 483	\$ 435	\$ 386	\$ 2,217
Business-type activities, net	<u>\$ 900</u>	<u>\$ 599</u>	<u>\$ 548</u>	<u>\$ 645</u>	<u>\$ 588</u>	<u>\$ 533</u>	<u>\$ 483</u>	<u>\$ 435</u>	<u>\$ 386</u>	<u>\$ 2,217</u>

**CHEROKEE NATION**

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

District*	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Cherokee	4,079	4,357	4,421	4,622	4,681	4,882	5,025	4,733	4,248	4,833
Craig	1,296	1,334	1,361	1,378	1,341	1,325	1,341	1,314	1,312	1,403
Delaware	2,315	2,302	2,310	2,336	2,372	2,524	2,689	2,558	2,483	2,653
Keeler	1,785	1,801	1,916	1,871	1,856	2,271	2,993	5,468	5,677	6,537
Mayes	2,062	2,152	2,126	2,199	2,321	2,387	2,411	2,456	2,489	2,554
Sequoyah	2,031	2,124	2,101	2,109	2,158	2,540	2,534	2,518	2,475	2,584
Three Rivers	2,569	2,680	2,713	2,851	2,936	2,850	2,948	4,007	3,797	4,087
Trail of Tears	2,261	2,260	2,403	2,504	2,466	2,337	2,576	2,614	2,492	2,589
Will Rogers	2,324	2,246	2,303	2,598	2,574	2,760	2,812	2,814	2,835	2,930
<b>Total Cherokee Students</b>	<u>20,722</u>	<u>21,256</u>	<u>21,654</u>	<u>22,468</u>	<u>22,705</u>	<u>23,876</u>	<u>25,329</u>	<u>28,482</u>	<u>27,808</u>	<u>30,170</u>

Counties included in districts:

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

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

Source: MVT apportionment