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CHEROKEE NATION®

Tahlequah, Oklahoma



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended September 30, 2015





2015 Comprehensive Annual Financial Report

Year Ending September 30, 2015

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

CHEROKEE NATION
 Comprehensive Annual Financial Report
 For the Year Ended September 30, 2015

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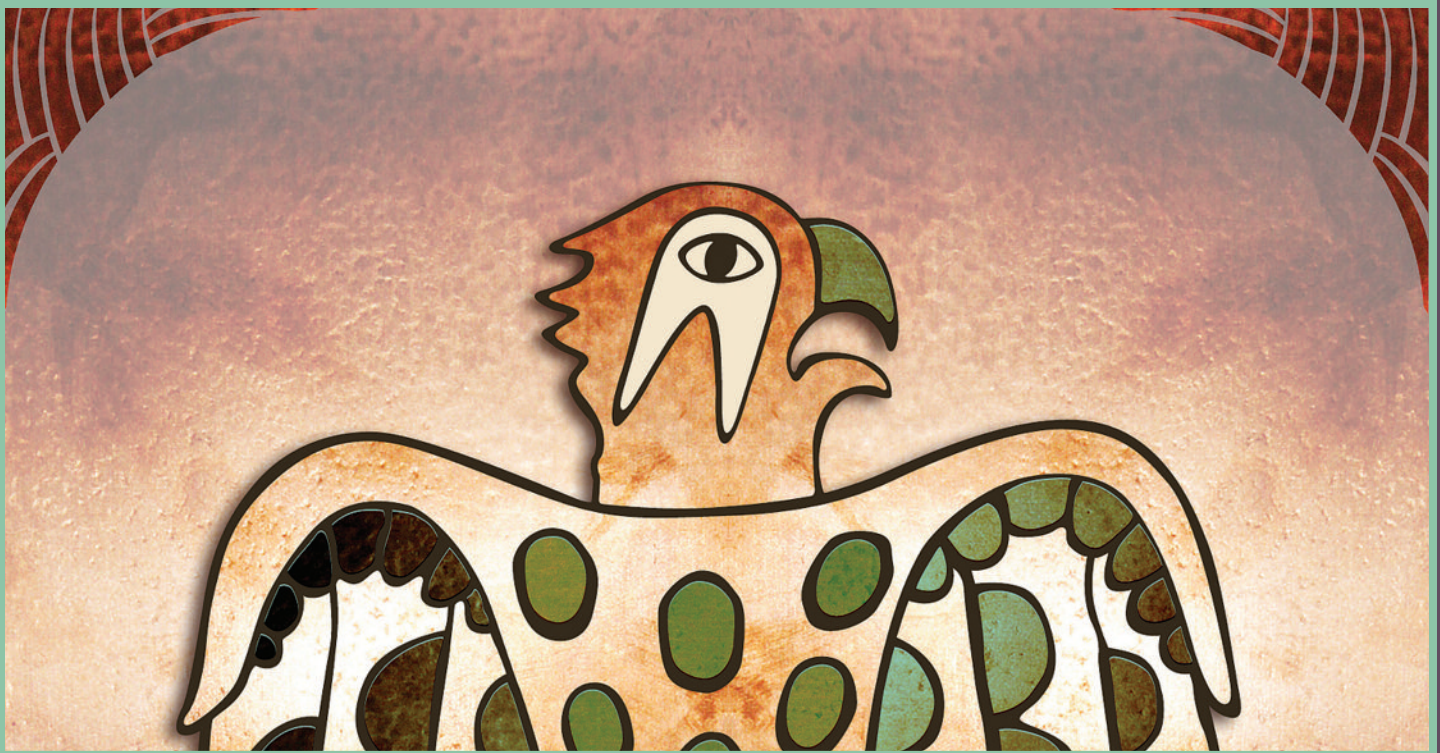
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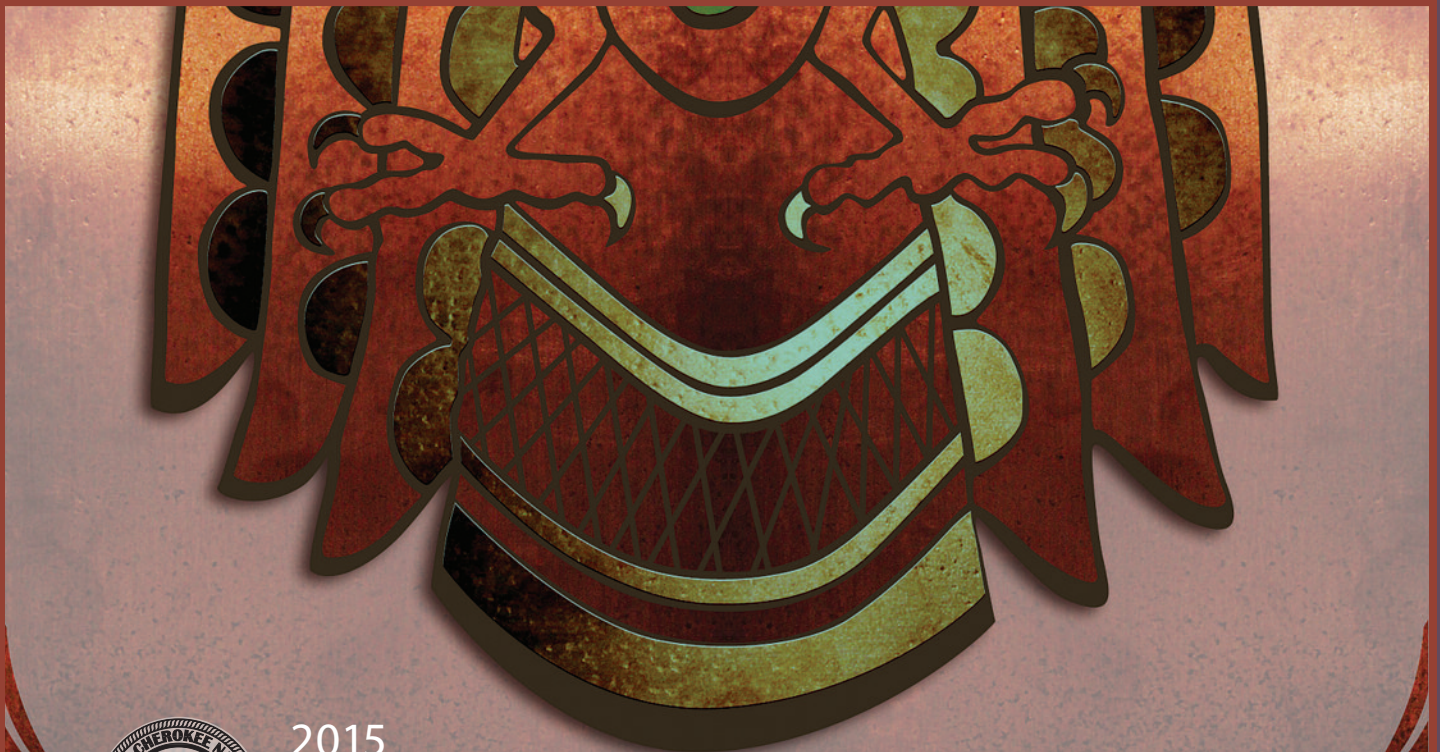
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SECTION I:

Introduction



2015
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Financial Report

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 Troy Poteete. The primary responsibility of the Justices is to hear and resolve any disagreements arising under the provisions of the Constitution or any enactment of the Tribal Council.

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

Reporting Entity

The Nation determines its financial reporting entity in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," as amended by GASB Statement No. 61, "The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34" and, based on that criterion, has included the following entities as component units within the Nation's basic financial statements.

Cherokee Nation Businesses, LLC (CNB) and its blended component units
Housing Authority of the Cherokee Nation of Oklahoma (HACN)
Cherokee Nation Comprehensive Care Agency (CNCCA)
Cherokee Nation Home Health Services, Inc. (CNHHS)
Cherokee 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, 2015, 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 2006, the Cherokee Nation primary government has increased its total assets by approximately \$978.7 million or 310.31%. 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) Circular A-133 "Audits of States and Local Governments and Non-Profit Organizations". 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, 2014. This was the fourteenth 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 2015 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 black ink, reading "Lacey A. Horn". The signature is written in a cursive, flowing style.

Lacey A. Horn
Treasurer

Cherokee Nation Tribal Officials

EXECUTIVE BRANCH

Bill John Baker
Principal Chief

S. Joe Crittenden
Deputy Principal Chief

LEGISLATIVE BRANCH

Joe Byrd
Speaker
District 2

Victoria Vazquez
Deputy Speaker
District 11

Rex Jordan
District 1

David Walkingstick
District 3

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

Troy Wayne Poteete
Chief Justice

James G. Wilcoxon
Justice

Angela Jones
Justice

John C. Garrett
Justice

Lynn Burris
Justice

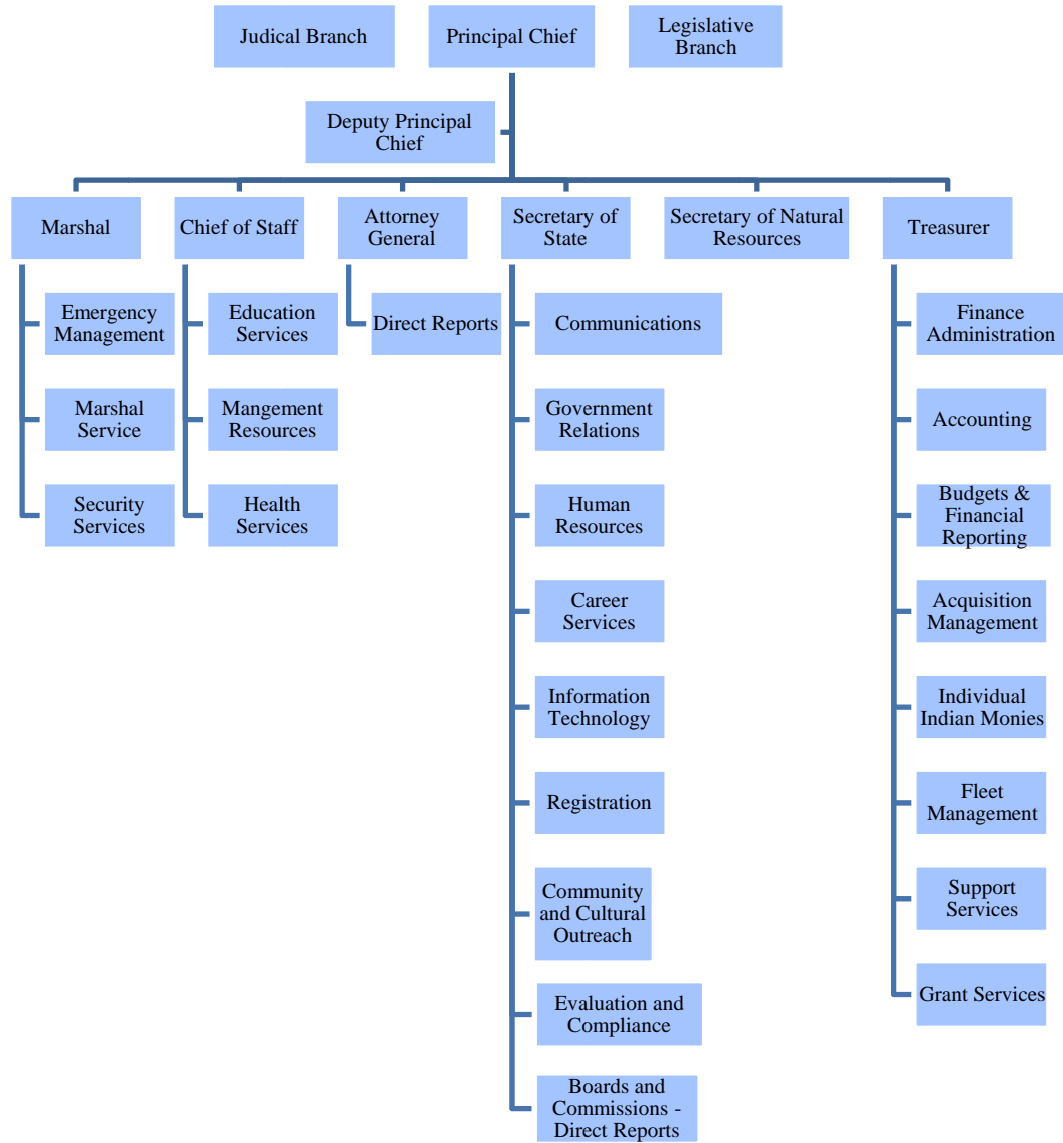
District Court

John T. Cripps
Judge

C. Bart Fite
Judge



CHEROKEE NATION ORGANIZATIONAL CHART



Approved: 
Bill John Baker, Principal Chief
093015
Date



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Cherokee Nation
Oklahoma**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2014

Executive Director/CEO



SECTION II:

Financial



2015
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, 2015, 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 Nation Waste Management, LLC (CNWM), 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, CNWM, CHP, CNF and CNHS, which collectively comprise approximately 13% of total assets and 3% 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, CNWM, 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 the 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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective 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 and other auditors 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.

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. The accompanying combining financial statements and budgetary comparisons, listed as other supplementary information in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Principal Chief and Tribal Council
Cherokee Nation

The 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements and budgetary comparisons supplementary 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, 2016, on our consideration of the Nation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Nation's internal control over financial reporting and compliance.

BKD, LLP

Tulsa, Oklahoma
March 30, 2016

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, 2015. 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 2015 by \$1 billion (net position). Of this total amount, \$49.8 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 2015 decreased by approximately \$0.5 million to \$246.7 million.

The overall net position increased by \$54.5 million, which is largely attributable to the recognition of income on investment in component units, capital contributions from CNB, proceeds from a litigation settlement, and increased revenues from the tobacco tax compact with the State of Oklahoma.

The Nation's governmental funds reported total ending fund balance of \$147.1 million at the end of fiscal year 2015. This compares to the prior year ending fund balance of \$162.5 million showing a decrease of \$15.4 million during the current year. Unassigned fund balance is \$16.3 million for fiscal year 2015.

At the end of the current fiscal year, unassigned fund balance for the General Fund was \$16.3 million or 16.6% of total General Fund expenditures including transfers out and 16.7% 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, Landfill Closure 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, Landfill Closure and Economic Development Trust Authority (EDTA). The nonmajor enterprise combining financial statements can be found on pages 86 - 88 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 89 - 91 of this report.

Cherokee Nation Component Unit Financial Statements, as previously mentioned above, are operations over which the Nation has financial accountability, but they have independent qualities as well, similar to private-sector business. The government-wide financial statements present information for the discretely presented component units in a single column. The Combining Statement of Net Position and the Combining Statement of Revenues, Expenses and Changes in Net Position present detail for each of the 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 - 83 of this report.

Supplementary Information

The basic financial statements are followed by a section of supplementary information. This section of the report includes combining schedules for nonmajor governmental and enterprise funds, internal service funds and a budgetary comparison schedule for the Nation's enterprise funds. The supplementary information section begins on page 84.

Statistical Information

The statistical section provides financial statement users with additional detailed information as a context for understanding the information in the financial statements, notes to the financial statements, and other supplementary information as it relates to the government's overall financial health. Included in the statistical section are schedules related to financial trends, revenue capacity, debt capacity, demographic and economic indicators, and operating information. The statistical information section begins on page 93.

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>2015</u>	<u>2014</u>	<u>Increase/ (Decrease)</u>	<u>Percent Increase/ (Decrease)</u>
General Fund				
Revenues, insurance recoveries and transfers in	\$ 97,688	\$ 96,970	\$ 718	0.7 %
Expenditures and transfers out	98,562	91,949	6,613	7.2 %
Fund Balance	94,248	95,122	(874)	(0.9)%
Self Governance DOI Roads				
Revenues, insurance recoveries and transfers in	3,501	4,865	(1,364)	(28.0)%
Expenditures and transfers out	3,501	4,865	(1,364)	(28.0)%
Fund Balance	-	-	-	0.0 %
Department of Transportation				
Revenues, insurance recoveries and transfers in	9,482	5,026	4,456	88.7 %
Expenditures and transfers out	9,482	5,026	4,456	88.7 %
Fund Balance	-	-	-	0.0 %
Self Governance DHHS				
Revenues, insurance recoveries and transfers in	261,698	253,210	8,488	3.4 %
Expenditures and transfers out	272,492	254,878	17,614	6.9 %
Fund Balance	24,083	34,877	(10,794)	(30.9)%
Housing and Urban Development				
Revenues, insurance recoveries and transfers in	35,894	32,610	3,284	10.1 %
Expenditures and transfers out	38,382	35,417	2,965	8.4 %
Fund Balance	677	3,165	(2,488)	(78.6)%
Capital Projects Fund				
Revenues and transfers in	2,400	854	1,546	181.0 %
Expenditures and transfers out	4,683	8,089	(3,406)	(42.1)%
Fund Balance	9,634	11,917	(2,283)	(19.2)%
Title VI Loan Fund				
Revenues and transfers in	57	70	(13)	(18.6)%
Expenses and transfers out	57	70	(13)	(18.6)%
Fund Balance	4	4	-	0.0 %

The General Fund represents the operating activities of the tribal government. The fund balance of the General Fund decreased \$0.9 million during fiscal year 2015. Revenues increased due to additional taxes collected for motor vehicle registrations, cigarette and tobacco taxes related to changes in the compacts, other revenue from TERO certification fees and a pharmaceutical litigation settlement offset by lower dividends received from component units. General Fund received fewer transfers in from the Capital Projects Fund during fiscal year 2015 as opposed to fiscal year 2014. Expenditures increased due to programs such as Tax Commission, Contract Health Services Dividend and MFT Higher Education Scholarships and 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 2015. 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 2015, the Self Governance DHHS fund reported a decrease in fund balance of \$10.8 million. Self Governance DHHS revenues and transfers in increased in fiscal year 2015 due to serving more patients through expanded services. Self Governance DHHS expenditures and transfers out increased in fiscal year 2015 as a result of expenditures to acquire new equipment for the new/expanded health care clinics.

The Housing and Urban Development fund had a decrease of \$2.5 million 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, replacement homes and rental assistance. HUD expenditures and transfers out increased from fiscal year 2014 as a result of increased services including rental assistance, replacement homes and modernization offset by decreases for transitional housing and housing rehabilitation.

In fiscal year 2015, the Capital Projects fund reported a decrease in fund balance of \$2.3 million. Capital Projects Fund revenues and transfers in increased due to transfers in of additional funding for the Tribal Complex construction project. The Capital Projects fund expenditures and transfers out decreased due to completion of construction on the Jack Brown Center offset by increases related to the construction of the Tribal Complex addition and the purchase of health facilities equipment. The construction projects are being funded through internal sources.

The fund balance of the Title VI Loan fund did not change in fiscal year 2015. Title VI Loan Fund revenues and transfers in decreased in fiscal year 2015 as compared to fiscal year 2014 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 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				
	2015	2014	2015	2014	2015	2014	
Current and other assets	\$ 1,072,004	\$ 1,054,551	\$ 17,397	\$ 17,243	\$ 1,089,401	\$ 1,071,794	\$ 17,607
Capital assets	<u>204,355</u>	<u>168,180</u>	<u>386</u>	<u>435</u>	<u>204,741</u>	<u>168,615</u>	<u>36,126</u>
Total assets	<u>1,276,359</u>	<u>1,222,731</u>	<u>17,783</u>	<u>17,678</u>	<u>1,294,142</u>	<u>1,240,409</u>	<u>53,733</u>
Deferred outflows of resources	<u>867</u>	<u>608</u>	<u>-</u>	<u>-</u>	<u>867</u>	<u>608</u>	<u>259</u>
Long-term debt outstanding	28,693	32,248	6,432	8,287	35,125	40,535	(5,410)
Other liabilities	<u>208,474</u>	<u>203,703</u>	<u>3,054</u>	<u>2,962</u>	<u>211,528</u>	<u>206,665</u>	<u>4,863</u>
Total liabilities	<u>237,167</u>	<u>235,951</u>	<u>9,486</u>	<u>11,249</u>	<u>246,653</u>	<u>247,200</u>	<u>(547)</u>
Net investment in capital assets	175,662	135,395	386	435	176,048	135,830	40,218
Restricted	822,166	797,337	287	339	822,453	797,676	24,777
Unrestricted	<u>42,231</u>	<u>54,656</u>	<u>7,624</u>	<u>5,655</u>	<u>49,855</u>	<u>60,311</u>	<u>(10,456)</u>
Total net position	<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>	<u>\$ 54,539</u>

The largest portion of the Nation's net position (78.5%) represents resources that are subject to external restrictions on how they may be used. An additional portion of the Nation's net position (16.8%) 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 \$49.8 million is unrestricted and may be used to meet the government's ongoing obligations to its creditors and provide services to the citizens.

At September 30, 2015, 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 \$54.5 million from the prior fiscal year. The reasons for this overall increase are discussed in the following section for governmental and business-type activities.

Changes in Net Position

The Nation's net position increased \$54.5 million, or approximately 36.7% less than the prior year increase of \$86.2 million, for an ending balance of \$1 billion. The governmental activities and business-type activities had increases of \$52.6 million and \$1.9 million, respectively.

The Nation's total revenues increased 7.7% to \$580.7 million in fiscal year 2015. Program revenue generated \$442.3 million, consisting of charges for services, federal and state grants, and other contributions, up from \$384.1 million from the prior fiscal year. Capital grants and contributions

revenue increased \$34.9 million in capital contributions related primarily to the 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 \$2 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 \$1.8 million from a pharmaceutical company.

Expenses for the primary government increased 9.9% or \$47.6 million to \$526.2 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:

Health services expenses increased \$33.6 million (12.6%). The increase is primarily attributed to new and expanded clinics offering additional services to citizens of the Nation.

Education services expenses increased \$5.3 million (8.9%) due to additional funding of scholarships, facility projects at Sequoyah High School and training programs such as the Job Driven National Emergency Grant for Long-Term Unemployment.

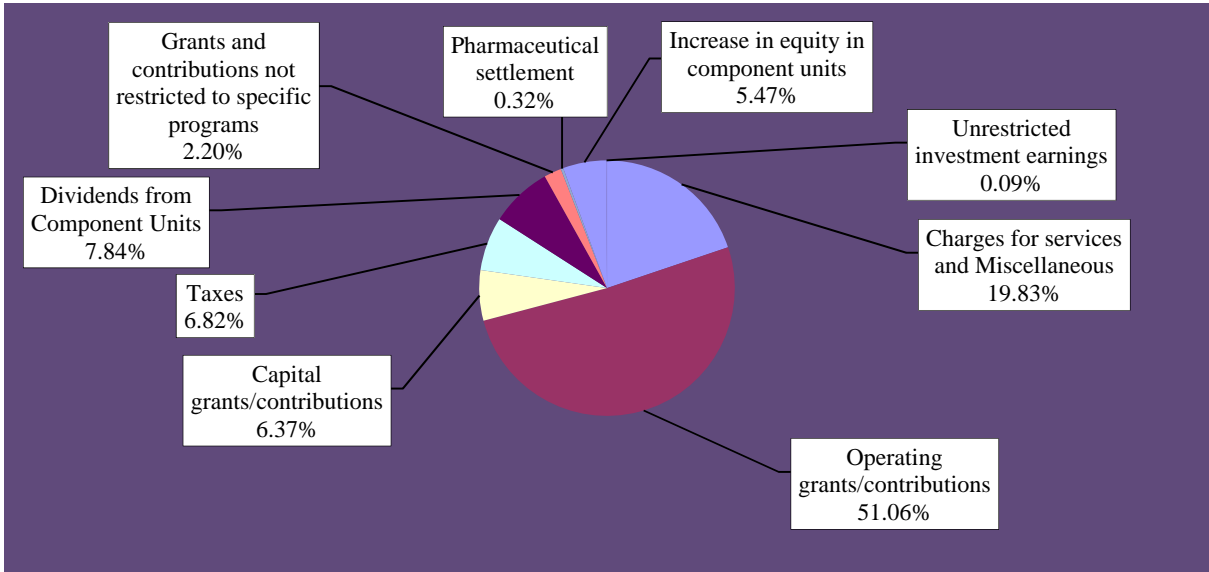
The changes in net position during 2015 are as follows (dollars in thousands):

Cherokee Nation's Changes in Net Position

	Governmental		Business-Type		Total	
	Activities		Activities			
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 108,415	\$ 98,179	\$ 905	\$ 854	\$ 109,320	\$ 99,033
Operating grants/contributions	296,053	283,024	-	-	296,053	283,024
Capital grants/contributions	36,954	2,054	-	-	36,954	2,054
General revenues:						
Motor fuel tax	8,008	7,733	-	-	8,008	7,733
Motor vehicle tax	13,638	11,654	-	-	13,638	11,654
Tobacco tax and fees	14,217	13,466	-	-	14,217	13,466
Sales tax	3,654	3,506	-	-	3,654	3,506
Grants and contributions not restricted to specific programs	12,740	12,503	-	-	12,740	12,503
Unrestricted investment earnings	531	634	2	1	533	635
Litigation settlement	1,839	-	-	-	1,839	-
Dividends from component units	45,448	47,392	-	-	45,448	47,392
Miscellaneous	6,552	5,695	-	-	6,552	5,695
Increase in equity in component units	31,749	52,251	-	-	31,749	52,251
Total revenues	<u>579,798</u>	<u>538,091</u>	<u>907</u>	<u>855</u>	<u>580,705</u>	<u>538,946</u>
Expenses:						
Tribal government	27,535	26,464	-	-	27,535	26,464
Health services	300,161	266,606	-	-	300,161	266,606
Education services	65,059	59,753	-	-	65,059	59,753
Human services	42,996	40,917	-	-	42,996	40,917
Community services	88,575	82,796	-	-	88,575	82,796
Interest on long-term debt	1,140	1,274	-	-	1,140	1,274
Total governmental expenses	<u>525,466</u>	<u>477,810</u>	<u>-</u>	<u>-</u>	<u>525,466</u>	<u>477,810</u>
Title VI Loan Fund	-	-	57	70	57	70
Tsa-La-Gi Apartments	-	-	488	488	488	488
EDTA	-	-	155	232	155	232
Total business-type expenses	<u>-</u>	<u>-</u>	<u>700</u>	<u>790</u>	<u>700</u>	<u>790</u>
Increase in net position before special items and transfers	54,332	60,281	207	65	54,539	60,346
Special Items	-	25,813	-	-	-	25,813
Transfers	(1,661)	(339)	1,661	339	-	-
Change in net position	<u>52,671</u>	<u>85,755</u>	<u>1,868</u>	<u>404</u>	<u>54,539</u>	<u>86,159</u>
Net position-Beginning of year	<u>987,388</u>	<u>901,633</u>	<u>6,429</u>	<u>6,025</u>	<u>993,817</u>	<u>907,658</u>
Net position-End 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>

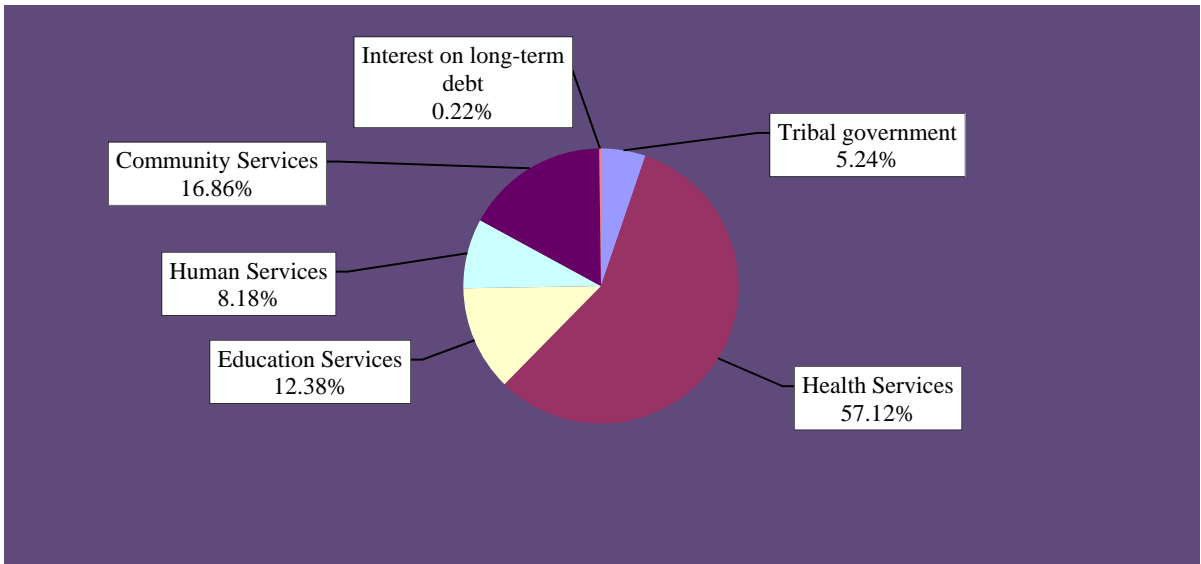
Graph 1 depicts revenues by source for the Governmental Activities of the Nation.

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 2015 were as follows (dollars in thousands):

	Original Budget	Final Budget	Original vs. Final		Actual	Budget vs. Actual		
			Variance Increase/ (Decrease)	Percentage Increase/ (Decrease)		Variance Increase/ (Decrease)	Percentage Increase/ (Decrease)	
Revenues:								
Interest	59	59	-	0 %	825	766	1298%	
Other	3,675	6,084	2,409	66%	5,381	(703)	(12%)	
Expenditures:								
Tribal government	40,488	43,818	3,330	8%	20,767	(23,051)	(53%)	
Education services	31,354	35,572	4,218	13%	29,737	(5,835)	(16%)	
Community services	37,124	38,928	1,804	5%	26,330	(12,598)	(32%)	
Capital outlay	5,631	6,157	526	9%	375	(5,782)	(94%)	

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:

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

Other — Actual revenue was less than budget due to fewer receipts than expected for Cherokee Day Training Program, Economic Development and Career Pathways offset by larger receipts received for TERO Job Training Programs during fiscal year 2015.

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 2015 as well as other program expenditures not fully expended at the level budgeted for Communications, Advocacy Initiative, Tribal Election Fund, Employee Performance Incentive, TERO Job Training Programs, Attorney General, CN Water Plan 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, Cherokee Charter School, 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 Cherokee Publications 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 as well as programs such as Ochelata Clinic and MVT Public School Coop not expending to the level budgeted.

Capital Assets and Debt Administration

The Nation’s capital assets, net of depreciation, at the end of fiscal year 2015 were \$204.7 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):

	Governmental Activities	Business-type Activities	Total
Land and improvements	\$ 19,681	\$ 81	\$ 19,762
Construction in progress	2,047	-	2,047
Buildings and improvements	154,181	305	154,486
Equipment	28,446	-	28,446
Total capital assets	<u>\$ 204,355</u>	<u>\$ 386</u>	<u>\$ 204,741</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 2015 was approximately \$35.1 million, primarily related to Title VI loan program and health clinic construction and expansion. The following is a summary of long-term debt at September 30, 2015 (dollars in thousands):

	Governmental Activities	Business-type Activities	Total
Notes payable	\$ 15,733	\$ 6,432	\$ 22,165
Bonds payable	12,960	-	12,960
Total long-term debt	<u>\$ 28,693</u>	<u>\$ 6,432</u>	<u>\$ 35,125</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, 2015, the outstanding balance of this credit facility totaled approximately \$5.3 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.

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

Economic Factors and Next Year's Budget

The Nation continues to provide vital services to the citizens despite the prolonged economic downturn. The outlook for 2016 revenue is projected to be slightly decreased for the General Fund due in part to having decreased funds available from the Contract Support Costs settlement. Budgeted expenditures and transfers for the Nation's General Fund for fiscal year 2016 total \$148.3 million, approximately \$17.8 million less than the final amounts budgeted for fiscal year 2015 due to the use of one-time funding from the Contract Support Costs settlement between the Nation and the Indian Health Service during fiscal year 2015.

The sequestration of the United States Budget Control Act of 2011 became effective on March 1, 2013. This sequestration resulted in funding reductions to certain federal programs. The Nation had planned for this possibility and implemented several cost containment measures; sequestration is not expected to have a significant impact on the Nation during fiscal year 2016.

The economic uncertainty 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 an expanded facility in Roland as well as a new facility in South Coffeyville. 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.



Basic Financial Statements



2015
Comprehensive Annual
Financial Report



Government-wide Financial Statements



2015
Comprehensive Annual
Financial Report

CHEROKEE NATION

STATEMENT OF NET POSITION

SEPTEMBER 30, 2015

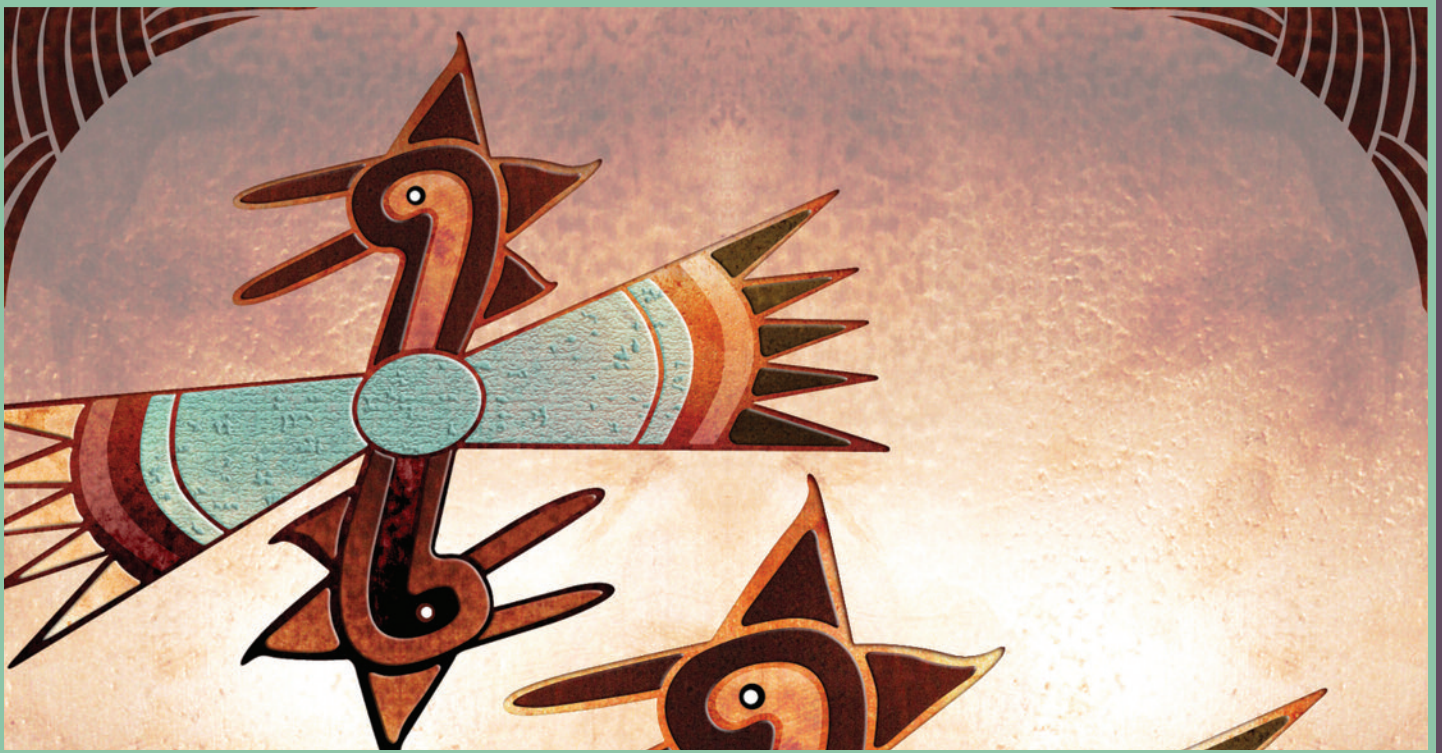
(Dollars in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 240,498	\$ 2,969	\$ 243,467	\$ 118,477
Investments	27,770	-	27,770	10,589
Accounts receivable, net	20,505	-	20,505	68,367
Due from other funds - Internal Balances	430	(430)	-	-
Due from component units	1,153	96	1,249	-
Inventories	4,227	-	4,227	20,304
Notes receivable	27	2,798	2,825	519
Other current assets	9,338	2	9,340	11,560
Restricted cash, cash equivalents and investments	40,025	3,175	43,200	9,435
Long-term notes receivable	1,600	8,787	10,387	17,259
Other assets	65	-	65	21,881
Investment in joint ventures/partnerships	-	-	-	9,402
Equity interests in component units	726,366	-	726,366	-
Capital assets, non depreciable	21,145	81	21,226	109,085
Capital assets, depreciable, net	183,210	305	183,515	589,936
Total assets	<u>1,276,359</u>	<u>17,783</u>	<u>1,294,142</u>	<u>986,814</u>
Deferred Outflows of Resources				
Accumulated decrease in fair value of hedging derivative	867	-	867	-
Total deferred outflows of resources	<u>867</u>	<u>-</u>	<u>867</u>	<u>-</u>
Liabilities				
Accounts payable	15,588	-	15,588	133,400
Accrued liabilities	35,116	25	35,141	-
Due to primary government	-	-	-	1,249
Other current liabilities	11,955	22	11,977	-
Unearned revenue	137,582	-	137,582	60
Notes payable and long-term debt				
Due within one year	2,400	1,265	3,665	2,050
Due in more than one year	26,293	5,167	31,460	20,124
Capital leases				
Due within one year	-	-	-	236
Due in more than one year	-	-	-	1,070
Compensated absences				
Due within one year	7,366	-	7,366	-
Derivative instrument - rate swap	867	-	867	-
Trust liabilities	-	-	-	4,509
Other noncurrent liabilities	-	3,007	3,007	-
Total liabilities	<u>237,167</u>	<u>9,486</u>	<u>246,653</u>	<u>162,698</u>
Net Position				
Net investment in capital assets	175,662	386	176,048	670,590
Restricted for:				
Education, Roads and Safety (MVT)	11,872	-	11,872	-
Education, Health, Roads and Safety (MFT)	40,730	-	40,730	-
Permanent Funds - expendable	77	-	77	-
Permanent Funds - nonexpendable	535	-	535	-
Construction	-	-	-	390
Debt service	820	-	820	520
Equity interests in component units	726,366	-	726,366	-
Equity interest of minority entity, nonexpendable	-	-	-	1,287
Investment in partnership/joint ventures	-	-	-	1,378
Program services	41,766	-	41,766	29,089
Capital replacements for Tsa-La-Gi	-	287	287	-
Unrestricted	42,231	7,624	49,855	120,862
Total net position	<u>\$ 1,040,059</u>	<u>\$ 8,297</u>	<u>\$ 1,048,356</u>	<u>\$ 824,116</u>

CHEROKEE NATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015
(Dollars in Thousands)

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government			
				Governmental Activities	Business-type Activities	Total	
Primary Government:							
Governmental activities:							
Tribal government	\$ 27,535	\$ 4,651	\$ 346	\$ (21,150)	\$ -	\$ (21,150)	\$ -
Health services	300,161	103,757	175,598	14,760	-	14,760	-
Education services	65,059	-	30,477	(34,582)	-	(34,582)	-
Human services	42,996	-	32,201	(10,795)	-	(10,795)	-
Community services	88,575	7	57,431	(31,137)	-	(31,137)	-
Interest on long-term debt	1,140	-	-	(1,140)	-	(1,140)	-
Total governmental activities	525,466	108,415	296,053	(84,044)	-	(84,044)	-
Business-type activities:							
Title VI Loan Fund	57	57	-	-	-	-	-
Tsa-La-Gi Apartments	488	533	-	-	45	45	-
Landfill Closure	-	-	-	-	-	-	-
EDTA	155	315	-	-	160	160	-
Total business-type activities	700	905	-	-	205	205	-
Total primary government	\$526,166	\$ 109,320	\$ 296,053	(84,044)	205	(83,839)	-
Component Units	\$943,331	\$ 953,652	\$ 16,274				27,143
General Revenues:							
Motor fuel tax				8,008	-	8,008	-
Motor vehicle tax				13,638	-	13,638	-
Tobacco tax				14,217	-	14,217	-
Sales tax				3,654	-	3,654	-
Grants and contributions not restricted to specific programs				12,740	-	12,740	-
Unrestricted investment earnings				531	2	533	1,099
Dividends from component units				45,448	-	45,448	-
Litigation settlement				1,839	-	1,839	-
Miscellaneous revenue				6,552	-	6,552	-
Income on investment in joint ventures				-	-	-	1,805
Increase in equity in component units				31,749	-	31,749	-
Transfers				(1,661)	1,661	-	-
Total general revenues and transfers				136,715	1,663	138,378	2,904
Change in net position				52,671	1,868	54,539	30,047
Net position - beginning				987,388	6,429	993,817	794,069
Net position - ending				\$ 1,040,059	\$ 8,297	\$ 1,048,356	\$ 824,116

See notes to basic financial statements



Fund Financial Statements



2015
Comprehensive Annual
Financial Report

CHEROKEE NATION

BALANCE SHEET - GOVERNMENTAL FUNDS

SEPTEMBER 30, 2015

(Dollars in Thousands)

	General	Self Governance DOI Roads	Department of Transportation	Self Governance DHHS	Housing & Urban Development	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS								
Cash and cash equivalents	\$ 84,072	\$ 12,312	\$ 65,208	\$ 22,547	\$ 15,441	\$ -	\$ 36,366	\$ 235,946
Investments	-	-	-	-	14,000	-	13,770	27,770
Receivables, net	3,955	-	-	11,669	30	-	3,973	19,627
Due from other funds	6,933	-	-	-	2,845	9,634	4	19,416
Due from component units	3,353	-	-	-	-	-	10	3,363
Inventories	-	-	-	3,002	-	-	1,079	4,081
Notes receivable	-	-	-	-	-	-	27	27
Other current assets	1	-	-	8,299	32	-	480	8,812
Restricted cash, cash equivalents and investments	38,549	-	-	-	-	-	1,476	40,025
Long-term notes receivable	-	-	-	-	1,600	-	-	1,600
Total assets	136,863	12,312	65,208	45,517	33,948	9,634	57,185	360,667
LIABILITIES								
Accounts payable	\$ 15,588	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,588
Accrued liabilities	9,259	-	-	9,277	-	-	10	18,546
Due to other funds	17,667	197	472	10,191	-	-	9,235	37,762
Due to component units	-	-	-	-	2,381	-	-	2,381
Other liabilities	6	-	-	-	2	-	120	128
Unearned revenue	95	12,115	64,736	1,966	29,288	-	29,382	137,582
Total liabilities	42,615	12,312	65,208	21,434	31,671	-	38,747	211,987
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue - notes receivables	-	-	-	-	1,600	-	-	1,600
Total deferred inflows of resources	-	-	-	-	1,600	-	-	1,600
FUND BALANCES								
Nonspendable	-	-	-	11,301	32	-	562	11,895
Restricted	52,602	-	-	12,782	645	-	17,876	83,905
Committed	10,042	-	-	-	-	-	-	10,042
Assigned	15,274	-	-	-	-	9,634	-	24,908
Unassigned	16,330	-	-	-	-	-	-	16,330
Total fund balances	94,248	-	-	24,083	677	9,634	18,438	147,080
Total liabilities, deferred inflows of resources and fund balances	\$ 136,863	\$ 12,312	\$ 65,208	\$ 45,517	\$ 33,948	\$ 9,634	\$ 57,185	

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.	192,954
The equity interests in component units is not an available resource and, therefore, is not reported in the funds.	726,366
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.	1,600
Derivative instruments: Rate swaps not reported in governmental funds	(867)
Deferred outflows of resources used to accumulate decreases in fair value of hedging derivative also not reported in governmental funds	867
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.	1,098
Liabilities that are not due and payable in the current period and, therefore, not reported in the funds.	(29,039)
Net position of governmental activities	\$ 1,040,059

CHEROKEE NATION

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015
(Dollars in Thousands)**

	<u>General</u>	<u>Self Governance DOI Roads</u>	<u>Department of Transportation</u>	<u>Self Governance DHHS</u>	<u>Housing & Urban Development</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:								
Intergovernmental	\$ -	\$ 3,486	\$ 9,482	\$ 157,427	\$ 35,644	\$ -	\$ 94,238	\$ 300,277
Property rentals	801	-	-	-	-	-	-	801
Motor fuel tax	8,008	-	-	-	-	-	-	8,008
Taxes, licenses and fees	35,367	-	-	-	-	-	-	35,367
Interest	825	15	-	-	32	-	390	1,262
Litigation settlement	1,839	-	-	-	-	-	-	1,839
Dividends from component units	45,448	-	-	-	-	-	-	45,448
Third party revenues	-	-	-	103,757	-	-	1,657	105,414
Other	5,381	-	-	451	188	-	6,659	12,679
Total revenues	<u>97,669</u>	<u>3,501</u>	<u>9,482</u>	<u>261,635</u>	<u>35,864</u>	<u>-</u>	<u>102,944</u>	<u>511,095</u>
Expenditures:								
Current operating:								
Tribal Government	20,767	-	-	210	-	4	5,551	26,532
Health Services	10,480	-	-	255,722	-	2,241	21,346	289,789
Education Services	29,737	-	-	-	-	-	34,689	64,426
Human Services	5,648	-	-	-	212	-	36,654	42,514
Community Services	26,330	3,448	9,457	4,112	37,995	-	3,171	84,513
Debt service:								
Principal	-	-	-	1,600	-	-	1,955	3,555
Interest	-	-	-	532	-	-	636	1,168
Capital outlay	375	38	25	8,716	100	2,438	694	12,386
Total expenditures	<u>93,337</u>	<u>3,486</u>	<u>9,482</u>	<u>270,892</u>	<u>38,307</u>	<u>4,683</u>	<u>104,696</u>	<u>524,883</u>
Excess (deficiency) of revenues over expenditures	<u>4,332</u>	<u>15</u>	<u>0</u>	<u>(9,257)</u>	<u>(2,443)</u>	<u>(4,683)</u>	<u>(1,752)</u>	<u>(13,788)</u>
Other financing sources (uses):								
Insurance recoveries	4	-	-	63	-	-	35	102
Transfers in	15	-	-	-	30	2,400	4,433	6,878
Transfers out	(5,225)	(15)	-	(1,600)	(75)	-	(1,723)	(8,638)
Total other financing sources (uses)	<u>(5,206)</u>	<u>(15)</u>	<u>-</u>	<u>(1,537)</u>	<u>(45)</u>	<u>2,400</u>	<u>2,745</u>	<u>(1,658)</u>
Net change in fund balances	(874)	-	-	(10,794)	(2,488)	(2,283)	993	(15,446)
Fund balance, October 1, 2014	<u>95,122</u>	<u>-</u>	<u>-</u>	<u>34,877</u>	<u>3,165</u>	<u>11,917</u>	<u>17,445</u>	<u>162,526</u>
Fund balance, September 30, 2015	\$ 94,248	\$ -	\$ -	\$ 24,083	\$ 677	\$ 9,634	\$ 18,438	\$ 147,080

See notes to basic financial statements

CHEROKEE NATION

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED SEPTEMBER 30, 2015 (Dollars in Thousands)

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

Net change in fund balances - total governmental funds \$ (15,446)

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 depreciation exceeded capital outlays in the current period. (2,081)

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. 3,555

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. 31,749

Some expenses are reported in the statement of activities when incurred and presented in the governmental funds when paid. (649)

Contributions of capital assets recorded as revenue in the government-wide financial statements but not recorded at the governmental fund level. 36,954

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. (1,411)

Change in net position of governmental activities \$ 52,671

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, 2015 (Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Property rentals	\$ 870	\$ 870	\$ 801	\$ (69)
Motor fuel tax	7,949	7,949	8,008	59
Taxes, licenses and fees	31,766	31,901	35,367	3,466
Interest	59	59	825	766
Trust fund income	120	120	-	(120)
Litigation settlement	-	-	1,839	1,839
Dividends from component units	43,750	43,750	45,448	1,698
Other	3,675	6,084	5,381	(703)
Total revenues	<u>88,189</u>	<u>90,733</u>	<u>97,669</u>	<u>6,936</u>
Expenditures:				
Tribal government	40,488	43,818	20,767	(23,051)
Health services	10,214	10,310	10,480	170
Education services	31,354	35,572	29,737	(5,835)
Human services	5,507	5,742	5,648	(94)
Community services	37,124	38,928	26,330	(12,598)
Capital outlay	5,631	6,157	375	(5,782)
Total expenditures	<u>130,318</u>	<u>140,527</u>	<u>93,337</u>	<u>(47,190)</u>
Excess (deficiency) of revenues over expenditures	<u>(42,129)</u>	<u>(49,794)</u>	<u>4,332</u>	<u>54,126</u>
Other financing sources (uses):				
Insurance recoveries	-	-	4	4
Transfers in	17,875	19,741	15	(19,726)
Transfers out	(22,438)	(25,563)	(5,225)	20,338
Total other financing sources (uses)	<u>(4,563)</u>	<u>(5,822)</u>	<u>(5,206)</u>	<u>616</u>
Net change in fund balance	(46,692)	(55,616)	(874)	54,742
Fund balance, October 1, 2014	95,122	95,122	95,122	-
Fund balance, September 30, 2015	<u>\$48,430</u>	<u>\$39,506</u>	<u>\$ 94,248</u>	<u>\$ 54,742</u>

See notes to basic financial statements

CHEROKEE NATION

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

SEPTEMBER 30, 2015

(Dollars in Thousands)

	Business-type Activities- Enterprise Funds			Governmental Activities- Internal Service Funds
	Title VI Loan Fund	Nonmajor Enterprise Funds	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 474	\$ 2,495	\$ 2,969	\$ 4,552
Accounts receivable, net	-	-	-	878
Due from other funds	-	47	47	21,544
Due from component units	4	92	96	171
Inventories	-	-	-	146
Notes receivable, current	1,202	1,596	2,798	-
Other current assets	-	2	2	526
Total current assets	<u>1,680</u>	<u>4,232</u>	<u>5,912</u>	<u>27,817</u>
Noncurrent assets:				
Restricted cash and cash equivalents	-	3,175	3,175	-
Long-term notes receivable	4,105	4,682	8,787	-
Capital assets, net	-	386	386	11,401
Total noncurrent assets	<u>4,105</u>	<u>8,243</u>	<u>12,348</u>	<u>11,401</u>
Total assets	<u>5,785</u>	<u>12,475</u>	<u>18,260</u>	<u>39,218</u>
LIABILITIES				
Current liabilities:				
Accrued liabilities	4	21	25	16,224
Current portion of long-term debt	1,202	63	1,265	-
Due to other funds	470	7	477	2,768
Compensated absences	-	-	-	7,366
Other current liabilities	-	22	22	11,827
Total current liabilities	<u>1,676</u>	<u>113</u>	<u>1,789</u>	<u>38,185</u>
Noncurrent liabilities:				
Long-term debt	4,105	1,062	5,167	-
Other liabilities	-	2,942	2,942	-
Total noncurrent liabilities	<u>4,105</u>	<u>4,004</u>	<u>8,109</u>	<u>-</u>
Total liabilities	<u>5,781</u>	<u>4,117</u>	<u>9,898</u>	<u>38,185</u>
NET POSITION				
Net investment in capital assets	-	386	386	11,401
Restricted for:				
Capital replacements	-	287	287	-
Unrestricted (deficit)	4	7,685	7,689	(10,368)
Total net position	<u>\$ 4</u>	<u>\$ 8,358</u>	<u>8,362</u>	<u>\$ 1,033</u>
Adjustment to reflect the consolidation of Internal Service Funds activities related to Enterprise Funds			(65)	
Net position of business-type activities			<u>\$ 8,297</u>	

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, 2015
 (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	\$ -	\$ 530	\$ 530	\$ 7
Charges for services and goods	-	2	2	121,545
Interest income, loans	57	250	307	-
Other	-	64	64	301
Total operating revenues	<u>57</u>	<u>846</u>	<u>903</u>	<u>121,853</u>
Operating expenses:				
Salaries and wages	-	66	66	102,796
Other services and charges	-	487	487	18,038
Materials and supplies	-	28	28	1,343
Depreciation	-	49	49	1,102
Total operating expenses	<u>-</u>	<u>630</u>	<u>630</u>	<u>123,279</u>
Operating income (loss)	<u>57</u>	<u>216</u>	<u>273</u>	<u>(1,426)</u>
Nonoperating revenues (expenses):				
Interest income	-	2	2	-
Interest expense	(57)	(12)	(69)	-
Gain/(loss) on sale of capital assets	-	-	-	(85)
Net nonoperating revenues (expenses)	<u>(57)</u>	<u>(10)</u>	<u>(67)</u>	<u>(85)</u>
Income (loss) before transfers	-	206	206	(1,511)
Transfers in	-	1,761	1,761	99
Transfers out	-	(100)	(100)	-
Change in net position	-	1,867	1,867	(1,412)
Total net position - beginning	<u>4</u>	<u>6,491</u>		<u>2,445</u>
Total net position - ending	<u>\$ 4</u>	<u>\$ 8,358</u>		<u>\$ 1,033</u>
Adjustment to reflect the consolidation of Internal Service Funds activities related to Enterprise Funds			<u>1</u>	
Change in net position of business-type activities			<u>\$ 1,868</u>	

See notes to basic financial statements

CHEROKEE NATION

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2015 (Dollars in Thousands)

	Business-type Activities- Enterprise Funds			Governmental Activities- Internal Service Funds
	Title VI Loan Fund	Nonmajor Enterprise Funds	Total	
Cash flows from operating activities:				
Receipts from customers	\$ -	\$ 532	\$ 532	\$ 122,270
Payments to suppliers	(1)	(513)	(514)	(19,526)
Payments to employees	-	(66)	(66)	(102,244)
Internal activity - payments from other funds	-	(40)	(40)	4,158
Internal activity - payments to other funds	-	55	55	(102)
Internal activity - payments to component units	-	-	-	9
Internal activity - payments from component units	1	73	74	271
Interest received on loans	57	250	307	-
Other receipts	-	64	64	301
Net cash provided by operating activities	<u>57</u>	<u>355</u>	<u>412</u>	<u>5,137</u>
Cash flows from noncapital financing activities:				
Transfer from other funds	-	1,761	1,761	99
Transfer to other funds	-	(100)	(100)	-
Principal paid on notes payable	(1,792)	(63)	(1,855)	-
Interest paid on notes payable	(57)	(12)	(69)	-
Net cash provided by (used for) noncapital financing activities	<u>(1,849)</u>	<u>1,586</u>	<u>(263)</u>	<u>99</u>
Cash flows from capital and related financing activities:				
Purchases of capital assets	-	-	-	(689)
Net cash provided by (used for) capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(689)</u>
Cash flows from investing activities:				
Interest received	-	2	2	-
Payments received on notes receivable	1,792	-	1,792	-
Increase in notes receivable, net	-	(772)	(772)	-
Net cash provided by (used for) investing activities	<u>1,792</u>	<u>(770)</u>	<u>1,022</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	-	1,171	1,171	4,547
Cash and cash equivalents, October 1, 2014	<u>474</u>	<u>4,499</u>	<u>4,973</u>	<u>5</u>
Cash and cash equivalents, September 30, 2015	<u>\$ 474</u>	<u>\$ 5,670</u>	<u>\$ 6,144</u>	<u>\$ 4,552</u>
Cash and Cash Equivalents consist of:				
Unrestricted cash and cash equivalents	\$ 474	\$ 2,495	\$ 2,969	\$ 4,552
Restricted cash and cash equivalents	-	3,175	3,175	-
Total Cash and Cash Equivalents, September 30, 2015	<u>\$ 474</u>	<u>\$ 5,670</u>	<u>\$ 6,144</u>	<u>\$ 4,552</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ 57	\$ 216	\$ 273	\$ (1,426)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation expense	-	49	49	1,102
Change in assets and liabilities:				
Receivables, net	1	98	99	4,432
Inventories	-	-	-	16
Other current assets	-	-	-	(106)
Accounts and other payables	(1)	(8)	(9)	1,119
Net cash provided by operating activities	<u>\$ 57</u>	<u>\$ 355</u>	<u>\$ 412</u>	<u>\$ 5,137</u>

See notes to basic financial statements

CHEROKEE NATION

COMBINING STATEMENT OF NET POSITION - COMPONENT UNITS
SEPTEMBER 30, 2015
(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
ASSETS									
Current assets:									
Cash and cash equivalents	\$ 112,671	\$ 3,563	\$ 1,237	\$ 177	\$ 249	\$ 467	\$ 92	\$ 21	\$ 118,477
Restricted cash	4,090	-	-	-	25	-	89	202	4,406
Investments	-	9,022	-	-	-	-	635	932	10,589
Receivables, net	66,137	734	32	377	156	913	1	17	68,367
Due from primary government	-	2,433	-	-	-	-	-	-	2,433
Inventories	19,793	-	-	-	-	399	-	112	20,304
Notes receivable	-	519	-	-	-	-	-	-	519
Other current assets	9,679	1,770	22	30	-	59	-	-	11,560
Total current assets	212,370	18,041	1,291	584	430	1,838	817	1,284	236,655
Noncurrent assets:									
Restricted investments	-	5,029	-	-	-	-	-	-	5,029
Notes receivable	1,245	16,014	-	-	-	-	-	-	17,259
Other assets	20,137	1,744	-	-	-	-	-	-	21,881
Investment in partnerships/joint ventures	7,517	1,378	-	-	-	507	-	-	9,402
Capital assets, net	614,751	75,630	2,262	512	2,722	1,867	5	1,272	699,021
Total noncurrent assets	643,650	99,795	2,262	512	2,722	2,374	5	1,272	752,592
Total assets	856,020	117,836	3,553	1,096	3,152	4,212	822	2,556	989,247
LIABILITIES									
Current liabilities:									
Accounts payable and accrued liabilities	129,128	1,830	1,038	443	122	779	28	32	133,400
Due to primary government	3,483	-	99	-	100	-	-	-	3,682
Unearned revenue	-	60	-	-	-	-	-	-	60
Current portion of notes payable	-	1,464	-	-	-	-	-	-	1,464
Current portion of long-term debt	-	-	25	371	-	190	-	-	586
Current portion of capital leases	-	-	-	26	210	-	-	-	236
Total current liabilities	132,611	3,354	1,162	840	432	969	28	32	139,428
Noncurrent liabilities:									
Trust liabilities	-	4,509	-	-	-	-	-	-	4,509
Notes payable	-	17,856	-	-	-	-	-	-	17,856
Long-term debt	-	-	1,220	236	-	720	-	92	2,268
Long-term capital leases	-	-	-	54	1,016	-	-	-	1,070
Total noncurrent liabilities	-	22,365	1,220	290	1,016	720	-	92	25,703
Total liabilities	132,611	25,719	2,382	1,130	1,448	1,689	28	124	165,131
NET POSITION									
Net investment in capital assets	604,189	61,618	1,017	178	1,446	957	5	1,180	670,590
Restricted, nonexpendable:									
Equity interest of minority entity	-	-	-	-	-	1,287	-	-	1,287
Restricted, expendable for:									
Debt service	-	520	-	-	-	-	-	-	520
Construction	365	-	-	-	25	-	-	-	390
Investment in partnership/joint ventures	-	1,378	-	-	-	-	-	-	1,378
Program services	-	28,601	-	-	-	-	89	399	29,089
Unrestricted	118,855	-	154	(212)	233	279	700	853	120,862
Total net position (deficit)	\$ 723,409	\$ 92,117	\$ 1,171	\$ (34)	\$ 1,704	\$ 2,523	\$ 794	\$ 2,432	\$ 824,116

CHEROKEE NATION

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -
COMPONENT UNITS
FOR THE YEAR ENDED SEPTEMBER 30, 2015
(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	\$ 923,614	\$ 4,260	\$ 10,536	\$ 5,345	\$ 947	\$ 6,700	\$ -	\$ 25	\$ 951,427
Income from investments in joint ventures	1,805	-	-	-	-	-	-	-	1,805
Other	-	220	-	28	-	-	666	1,311	2,225
Total operating revenues	925,419	4,480	10,536	5,373	947	6,700	666	1,336	955,457
Operating expenses:									
Cost of sales/operations	356,697	9,701	-	-	-	-	-	-	366,398
Salaries and wages	264,270	8,858	3,468	4,478	497	-	-	-	281,571
Other services and charges	147,240	141	7,308	962	725	4,993	717	1,324	163,410
Depreciation and amortization	42,876	4,320	165	41	832	21	-	-	48,255
Total operating expenses	811,083	23,020	10,941	5,481	2,054	5,014	717	1,324	859,634
Operating income (loss)	114,336	(18,540)	(405)	(108)	(1,107)	1,686	(51)	12	95,823
Nonoperating revenues (expenses):									
Grant revenue	-	16,274	-	-	-	-	-	-	16,274
Interest/investment income	112	921	2	-	-	-	-	64	1,099
Interest expense	(410)	(516)	(82)	(33)	(27)	(11)	-	-	(1,079)
Other, net	(1,855)	321	(8)	-	151	146	-	-	(1,245)
Net nonoperating revenues (expenses)	(2,153)	17,000	(88)	(33)	124	135	-	64	15,049
Net income (loss) before dividends, capital grants and special item	112,183	(1,540)	(493)	(141)	(983)	1,821	(51)	76	110,872
Dividends to primary government	(45,448)	-	-	-	-	-	-	-	(45,448)
Distributions	-	-	-	-	-	(1,294)	-	-	(1,294)
Capital grants from primary government	-	-	-	-	500	-	-	-	500
Capital grants from other sources	-	-	48	-	-	-	-	-	48
Capital grants to Cherokee Nation and others	(34,631)	-	-	-	-	-	-	-	(34,631)
	(80,079)	-	48	-	500	(1,294)	-	-	(80,825)
Change in net position	32,104	(1,540)	(445)	(141)	(483)	527	(51)	76	30,047
Net position, beginning of year	691,305	93,657	1,616	107	2,187	1,996	845	2,356	794,069
Net position (deficit), end of year	\$ 723,409	\$ 92,117	\$ 1,171	\$ (34)	\$ 1,704	\$ 2,523	\$ 794	\$ 2,432	\$ 824,116

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, 2015
 (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	\$ 951,427	\$ -	\$ 951,427	\$ -	\$ -	\$ -
Income from investments in joint ventures	1,805	-	-	-	-	1,805
Other	2,225	-	2,225	-	-	-
Total operating revenues	955,457	-	953,652	-	-	1,805
Operating expenses:						
Cost of sales/operations	366,398	366,398	-	-	-	-
Salaries and wages	281,571	281,571	-	-	-	-
Other services and charges	163,410	163,410	-	-	-	-
Depreciation and amortization	48,255	48,255	-	-	-	-
Total operating expenses	859,634	859,634	-	-	-	-
Operating income (loss)	95,823	(859,634)	953,652	-	-	1,805
Nonoperating revenues (expenses):						
Grant revenue	16,274	-	-	16,274	-	-
Interest/investment income	1,099	-	-	-	-	1,099
Interest expense	(1,079)	(1,079)	-	-	-	-
Other, net	(1,245)	(1,245)	-	-	-	-
Net nonoperating revenues (expenses)	15,049	(2,324)	-	16,274	-	1,099
Net Income (loss) before dividends, capital grants and special item	110,872	(861,958)	953,652	16,274	-	2,904
Dividends to primary government	(45,448)	(45,448)	-	-	-	-
Distributions	(1,294)	(1,294)	-	-	-	-
Capital grants from primary government	500	-	-	-	500	-
Capital grants from other sources	48	-	-	-	48	-
Capital grants to Cherokee Nation and others	(34,631)	(34,631)	-	-	-	-
Change in net position	30,047	(943,331)	953,652	16,274	548	2,904
Net position, beginning of year	794,069					
Net position, end of year	\$ 824,116	\$ (943,331)	\$ 953,652	\$ 16,274	\$ 548	\$ 2,904

See notes to basic financial statements



Notes to Basic Financial Statements



2015
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 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, 2015, 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, 2015, 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 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 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. A new hotel is being built in Roland, which will be owned and operated by CNE.

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 (WRDDS) — WRDDS 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.

Cherokee Nation Industries, LLC (CNI) — CNI is a tribal limited liability company established in 1969 to meet the need for business development and to generate revenue which helps the Nation and its members move toward economic self-sufficiency. CNI assists in facilitating and strengthening teaming and partnering opportunities through pooled business unit resources and shared corporate resources. Providing quality Cherokee employment opportunities that help preserve cultural identity is CNI's prime consideration. CNI has historically operated as a government contractor in the aerospace and defense sector of manufacturing and has diversified into the telecommunications, construction and services industries.

The Aerospace and Defense Manufacturing business unit of CNI and Cherokee Nation Distribution, LLC is a contract manufacturer and integrator of electromechanical assemblies. Aerospace and Defense Manufacturing has a workforce of approximately 300 skilled employees operating out of 70,000+ square feet (expandable to 120,000+ capacity) of manufacturing space primarily in Stilwell, Oklahoma. The core business is comprised of distribution, kitting and manufacturing of cable assemblies and wire harness assemblies, interconnect solutions, electronic racks, electric panels and enclosures, power distribution and "build to print" products. Drawing on its in-house capabilities and a

select group of prequalified subcontractors, the business unit has a rich history of supplying products to the commercial and defense aerospace industries.

The Telecommunications business unit of CNI, centrally located in Pryor, is an integrator of passive communication components for some of the largest businesses in the telecommunications industry. The business unit is a value-added reseller providing end-to-end distribution services and warehousing for some of the world's largest business in the telecommunications and electronics industry. End-to-end distribution and supply chain management capabilities include everything from inbound material flow to kitting, final assembly, finished goods, warehousing, inventory management, inspections and returns handling to fully integrated forward and reverse logistics repair services, including certification and reclamation. The CNI Telecommunications business unit has supplied the telecommunications and electronics markets for over 40 years with additional capabilities that include complete material management solutions; electronic data interface; RFID with barcoding; cross docking; CISCO products, design and installation; customized assembly and kitting services; rapid nationwide delivery; best-in-class technology; and comprehensive value-added services.

Today, a portfolio of 8(a), HUBZone, Small Disadvantaged Business (SDB) and Minority Business Enterprises (MBE) companies is utilized by CNI to leverage business opportunities and enhance financial opportunities. CNI operates five other entities under common management. These include:

Cherokee Nation Distribution, LLC (CND) — CND is a diversified company providing manufacturing, distribution services, office products and logistics services. While distribution of electronic connectors and Just-in-Time (JIT) management services has been the foundation of their distribution services business, CND has diversified their capabilities to include project kitting, EDI capabilities, interconnect solutions and electromechanical integration.

The Office Products business unit of CND works with one of the largest Business-to-Business suppliers to deliver a wide variety of products anywhere in North America. Office Products offers utilization of Corporate Express' advance distribution centers to provide free delivery across the country. Office Products is capable of providing office products, facility supplies, document and print management and promotional supplies.

The Military Services group of CND provides support to U.S. government entities providing materials and services. The range of support provided includes supply of direct materials and spare parts, provision and management of facilities, direct labor (on-site, off-site and mobile), subcontract repair and return, technical services, import and export services, mobile equipment modification and other services as ordered by the customer. Military Services has management offices in Tulsa, Oklahoma and Huntsville, Alabama. Military Services currently manages off-site warehouse facilities in Huntsville, Alabama; El Paso, Texas; and Texarkana, Texas.

Cherokee Nation Red Wing, LLC (CNRW) — CNRW was acquired in February 2009 and reorganized as a limited liability company. CNRW is a contract manufacturer of integrated electromechanical assemblies. CNRW operates out of 15,000+ square feet of expandable manufacturing space on seven acres in Pryor, Oklahoma. The core business is comprised of kitting, manufacturing and program management of cable assemblies and wire assemblies, panel and box assemblies, ground support equipment, avionics subassemblies and APU/Engine details and subassemblies.

Drawing on its in-house capabilities and a select group of prequalified subcontractors, CNRW supplies products to the commercial and defense aerospace industries. CNRW has management offices in Tulsa, Oklahoma and Huntsville, Alabama supporting activities at Redstone Arsenal.

Cherokee Nation Metal Works, LLC (CNMW) — CNMW was formed in 2011 and is a precision Computer Numerical Controlled (CNC) machining, metal forming and manufacture of metal-fabricated details and electromechanical components. CNMW operates out of 20,000+ square feet of expandable machining space on seven acres in Pryor, Oklahoma. Capabilities include CNC machining, sheet metal forming and manufacturing of assemblies for commercial and military aerospace, industrial and energy-related industries.

Cherokee Nation Office Solutions, LLC (CNOS) — CNOS was formed in 2008 and provides office products, facility supplies, document and print management and promotional supplies.

Cherokee Nation Aerospace & Defense, LLC (CNAD) — CNAD was formed in 2008 and manufactures air and land support products.

CND, CNRW, CNMW, CNOS and CNAD are for-profit limited liability companies owned by CNB. CND was created under the laws of the state of Oklahoma. CNRW, CNMW, CNOS and CNAD are tribal limited liability companies organized under the laws of the Nation.

Cherokee Services Group, LLC (CSG) — CSG was established in 2005 and is a leading provider of information technology and business support services. The company specializes in software and application services, network infrastructure services and business process services. 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) — Since 2009, CNT has been serving more than 200 commercial and government clients with time-tested solutions that increase client effectiveness through the use of technology. CNT's expertise includes software and application services, network services and business process services. The company is headquartered in Tulsa, Oklahoma, with a regional office in Fort Collins, Colorado and client locations nationwide.

Cherokee Nation Government Solutions, LLC (CNGS) — In business since 2011, CNGS provides the quality technical support services and project support personnel to support and supplement the mission, expertise and skill sets of federal, state and local government. 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.

Cherokee Nation Technology Solutions, LLC (CNTS) — CNTS provides technical support services and project support personnel to its defense agency and civilian 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 Assurance, LLC (CNA) — Created in 2011, CNA is a technology solutions provider specializing in delivering information technology, management consulting program support and professional support services. 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.

Cherokee Nation Defense Solutions, LLC (CNDS) — Created in 2008, CNDS provides state-of-the-art critical site infrastructure protection, security surveillance services, access control techniques and complete security integration for both government and commercial clients. The company handles projects such as civil construction, complex security and command center design.

Cherokee Nation Security and Defense, LLC (CNSD) — Created in 2009, CNSD 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, Oklahoma.

Cherokee Medical Services, LLC (CMS) and Cherokee Nation Health Services, LLC (CNHS LLC) — CMS and CNHS LLC, combined with the Staffing Services unit of CND, provide a wide range of services, including recruiting, credentialing and placement of clinical, administrative, technical and engineering personnel for private sector and government agencies, such as the Department of Defense and the Department of Energy. There are nearly 225 people from coast to coast in Army, Navy and Air Force facilities providing services in areas such as physicians, behavioral health, nursing, housekeeping, chiropractic, engineering, dentistry, technical research, radiation therapy and administrative functions.

Cherokee Nation Property Management, LLC (CNPM) — Formed in 2010, CNPM provides real estate acquisitions and development services for CNB. CNPM is headquartered in Catoosa, Oklahoma.

Cherokee Nation Construction Services, LLC (CNCS) — Formed in 2008, CNCS offers highly skilled, professional, technical and administrative support teams for government and commercial clients. CNCS helps manage construction projects through effective engineering, scheduling, safety and financial management controls. CNCS has offices in Tulsa, Oklahoma and Dover, Delaware.

Cherokee Nation Construction Resources, LLC (CNCR) — Formed in 2013, CNCR is comprised of a team of seasoned construction managers who administer design and construction processes from concept to completion. This company specializes in construction management that includes but is not limited to preconstruction services – input in design and planning, scheduling, budgeting, definition of project roles and responsibilities, and constructability reviews, as well as ensuring that TERO subcontractors are used and job opportunities are provided to Cherokee Citizens. CNCR is headquartered in Tulsa, Oklahoma.

Cherokee Nation Support, Service and Solutions, LLC (CN3S) — Formed in 2012, CN3S is a tribal limited liability company that embodies the support, services and solutions provided to its customers. CN3S delivers administrative and general management consulting services, process, physical distribution and logistics consulting services, temporary staffing, and other professional, scientific and technical services for government and commercial clients. CN3S is headquartered in Tulsa, Oklahoma.

Cherokee Nation Environmental Solutions, LLC (CNES) — Formed in 2013, CNES is an environmental focused company based in Tulsa, Oklahoma. CNES provides environmental services for both commercial and governmental clients including soil testing, site assessment, regulatory contracting and other miscellaneous waste management services.

Cherokee Nation Mission Solutions, LLC (CNMS) — Formed in 2013, CNMS provides medical services and solutions for Federal clients. 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.

Cherokee Nation Management & Consulting, LLC (CNM&C) — Formed in 2013, CNM&C is a versatile small business that provides advisory & assistance services in research, experimental development, technology implementation, and program management. CNMC has expertise in a wide-range of technical disciplines including engineering, environmental, information and asset management, along with a variety of physical and life sciences.

Cherokee Nation Facilities Management, LLC (CNFM) — Formed in 2013, CNFM provides facilities management services to government and commercial clients.

Cherokee Nation Research Laboratories, LLC (CNRL) — CNRL, an Oklahoma limited liability company, was formed in 2014 to provide research and development, test and evaluation, and training and exercise management to government agencies and commercial clients.

Blue Ribbon Downs Training, LLC (BRDT) — Formed in 2015, BRDT provides management of a horse racing training facility in Sallisaw, Oklahoma.

CNB is the sole member of CSG, CNT, CNGS, CNTS, CNA, CNDS, CNSD, CMS, CNHS LLC, CNPM, CNCS, CNCR, CN3S, CNES, CNMS, CNM&C, CNFM, CNRL and BRDT which are included as blended component units of CNB and under common governance and management with CNB.

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 Markets 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 (QEIs), 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, NMTC equivalent to a total of 39% of the total QEI (including loaned funds). As of September 30, 2015, all \$60,000,000 of the allocation had been sub-allocated to eligible projects.

CNB directly holds joint venture interests in Cherokee CRC, LLC and Aerospace S.E., Inc and accounts for the investments using the equity method. Details of the joint venture interests are described below:

Cherokee CRC, LLC (CCRC) — CCRC was formed in March 2005 in Tulsa, Oklahoma, by CNB (51% ownership) and an individual (49% ownership). The targeted business of CCRC, a Tribal-owned 8(a) 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 in which Section 8(a) status provides a competitive advantage. During the year ended September 30, 2015, CNB recognized earnings from CCRC totaling \$908,000 and received distributions of \$330,000.

Aerospace S.E., Inc. (APSE) — APSE was formed in 1987 in Huntsville, Alabama. On August 28, 2008, CNB acquired 75% of the stock of APSE, and APSE Holdings, LLC acquired 25%. APSE is a distributor of aerospace fasteners and a provider of supply chain services. APSE is headquartered in Huntsville and has offices in San Antonio, Texas and Wichita, Kansas. During the year ended September 30, 2015, CNB recognized earnings from APSE totaling \$897,000 and received no distributions.

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.

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.

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.

Cherokee Health Partners, LLC (CHP) — CNCCA and the Tahlequah Hospital Authority (THA) 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 Tahlequah City Hospital. 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. All information included in the Nation's financial statements for CHP is as of and for the fiscal period ended June 30, 2015. Separately issued financial statements for CHP may be obtained from CHP's office. CHP directly holds a joint venture interest in Tahlequah Diagnostic Imaging, LLC and Northeast Oklahoma Heart Center, LLC as described below:

Tahlequah Diagnostic Imaging, LLC (TDI) — TDI was established in December 2002, to provide MRI, CT, hyperbaric and other imaging equipment previously provided by the THA. CHP purchased a 20 percent ownership in TDI during their year ended June 30, 2011. CHP used the equity method to account for the joint venture investment in TDI. CHP has recognized its proportionate share of TDI's distribution of approximately \$115,000 for the joint venture at June 30, 2015.

Northeast Oklahoma Heart Center, LLC (NOHC) — During 2015, CHP purchased a 95% ownership in NOHC. NOHC is a limited liability company organized under the Oklahoma Limited Liability Act in July 2005. NOHC provides cardiovascular management services to the THA. As a result of the ownership interest acquired, the operations of NOHC have been included in the financial statements for the period of March 1, 2015 to June 30, 2015.

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, 2014.

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, 2014.

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 2015. 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 of 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 2015, 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 \$77,000 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 Skinner Family Living Trust did not have an appreciated value of the investment at September 30, 2015.

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, Landfill Closure, 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, 2015 of \$9,136,000. 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 - 45 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 determined using quoted market prices.

Accounts Receivable

Amounts represent revenue recognized but not yet received in the current period. Accounts receivable are presented in the 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. 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, 2015, 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 \$1,490,000 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. See Note 10 for additional information concerning the interest rate swap agreement.

Equity Interests in Component Units

The Nation records its equity interests in component units that exist to enhance the government's ability to provide governmental services in accordance with GASB Statement Number 61. As of September 30, 2015, the Nation held an equity interest in CNB, CNHHS, CNWM and CHP in the amount of \$726,366,000 and reflected an increase over the prior year of \$31,749,000. 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, 2015, 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 derivative results from the interest rate swap agreement having a negative fair value of \$867,000. 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, which is now operated by CNWM LLC, a discretely presented component unit of the Nation. Such estimated costs include expected equipment and facility costs, costs of the final cover and postclosure care. The liability recorded by the Nation at September 30, 2015 is based upon the assumption that the Landfill will be operated by CNWM to its full designed capacity.

Taxes

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

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

CNE, a blended component unit of CNB, pays a gaming tax based on certain gross revenues pursuant to provisions of the National Indian Gaming Regulatory Act. Amounts owed under the gaming tax are paid to the National Indian Gaming Commission (NIGC) 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 2015 were approximately \$287,000.

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 2015, the Cherokee Nation bought back \$1,614,000 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 two classifications of programmatic revenues for the Nation, program specific grant and contributions revenue 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, 2015 was \$103,757,000.

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 \$192,954,000 capital assets used in governmental activities are as follows (dollars in thousands):

Capital assets, net	\$ 204,355
Less: Internal service fund capital assets	<u>(11,401)</u>
Capital assets used in governmental activities	<u>\$ 192,954</u>

Another element of the reconciliation is the amount of \$1,600,000 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>\$ 1,600</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 \$29,039,000 difference are as follows (dollars in thousands):

Long-term debt	\$ 28,693
Accrued bond interest	198
Retainage payable	<u>148</u>
Net adjustment to decrease fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ 29,039</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 depreciation exceeded capital outlays in the current period.” The details of this \$2,081,000 difference are as follows (dollars in thousands):

Capital expenditures in governmental funds capitalized on government-wide financial statements	\$ 12,386
Depreciation expense	<u>(14,467)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (2,081)</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 \$649,000 difference are as follows (dollars in thousands):

Additional capital outlay expense and loss on disposal	\$ 2,188
Other	(2,865)
Bond interest expense	<u>28</u>
Net adjustment to decrease changes in fund balance - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (649)</u>

3. DEPOSITS AND INVESTMENTS

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, 2015, all deposits were insured or collateralized and held by various safe-keeping agents in the Nation's name. Component units' deposits of \$3,602,000 at September 30, 2015 were uninsured and uncollateralized.

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The Nation manages interest rate risk by maintaining a balance of highly liquid investments and a "ladder" approach to long-term investments. Funds are invested in blocks, normally of \$1,000,000 or greater, with maturities ranging from one to 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, 2015.

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. 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, \$1,977,000, or 14%, is invested in Fannie Mae securities, \$4,507,000, or 33%, is invested in Federal Home Loan Mortgage Corporation and \$4,599,000 or 33%, is invested in Federal Home Loan Bank securities, \$2,588,000 or 19%, is invested in Federal Agricultural Mortgage Corporation and \$99,000 or 1% is invested in Federal Farm Credit Banks.

Investments, categorized as to interest and credit risk, at September 30, 2015 were as follows (dollars in thousands):

<u>Investment Type</u>	<u>Investment Maturities (in Years)</u>					<u>Credit Rating Moody's/S&P</u>
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More Than 10</u>	
Primary Government:						
Money market mutual fund	\$ 865	\$ 865	\$ -	\$ -	\$ -	(1)
Repurchase agreements	1,489	1,489	-	-	-	N/R
U.S. Government sponsored entities	<u>13,770</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,770</u>	Aaa/AA+
Total Primary Government	<u>\$ 16,124</u>	<u>\$ 2,354</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,770</u>	
Component Units:						
Money market mutual funds	\$ 41,415	\$ 41,415	\$ -	\$ -	\$ -	(1)
Mutual funds	581	-	581	-	-	(1)
U.S. Government sponsored entities	511	-	511	-	-	Aaa/AA+
Repurchase agreement	<u>1,600</u>	<u>1,600</u>	<u>-</u>	<u>-</u>	<u>-</u>	AAA
Total Component Units	<u>\$ 44,107</u>	<u>\$ 43,015</u>	<u>\$ 1,092</u>	<u>\$ -</u>	<u>\$ -</u>	

(1) While these Money Market Mutual funds and Mutual funds do not have formal ratings, they are Governmental or Institutional type funds that are invested only in securities that have the highest short term rating from at least two 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	\$ 16,124
Plus Certificates of Deposit reported as investments	14,000
Less Money market mutual fund and Repurchase agreements reported as Cash & Cash Equivalents & Investments	<u>(2,354)</u>
Total investments	<u>\$ 27,770</u>

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	\$ 44,107
Plus Certificates of Deposit reported as investments	9,022
Less Money market mutual funds and mutual funds reported as Restricted Cash & Cash Equivalents & Investments	<u>(42,540)</u>
Total investments	<u>\$ 10,589</u>

Restricted Cash, Cash Equivalents and Investments

Restricted cash, cash equivalents and investments and reserved cash at September 30, 2015 included the following (dollars in thousands):

Primary Government

Tenant security deposits held in trust, replacement reserves and mortgage escrow deposits for Tsa-La-Gi	\$ 325
Capital replacement, closure and postclosure care costs of the Landfill Closure fund	2,850
Balance in Motor Fuel Tax Education Trust	38,538
Scholarship funds and youth development projects	612
Balance of funds accumulated for Debt service payments	864
District Court escrow account	<u>11</u>
Total Primary Government restricted cash, cash equivalents and investments	<u>\$ 43,200</u>

Component Units

Escrow relating to the Title VI loan with a bank (see Note 8)	\$ 520
HACN's lease-to-own homeownership program monthly equity payments	4,509
Pari-mutuel horse racing activities funds	4,025
CNB cash related to federal grants	65
CNWM escrow for guarantee of payment on construction contracts	25
CNF endowment funds	89
CNHS endowment for capital improvements	<u>202</u>
Total Component Unit restricted cash, cash equivalents and investments	<u>\$ 9,435</u>

4. RECEIVABLES

Receivables for primary government at September 30, 2015 consisted of the following (dollars in thousands):

	Primary Government				
	Accounts Receivable				
	Grants & Contracts Receivable	Accounts Receivable	Interest Receivable	Total	Notes Receivable
Governmental Receivables:					
General					
Motor fuel taxes	\$ -	\$ 2,198	\$ 66	\$ 2,264	\$ -
Other taxes	-	128	-	128	-
Other accounts receivable	-	1,563	-	1,563	-
Special Revenue Funds	3,654	11,926	92	15,672	1,627
Other - Internal Service Funds	-	878	-	878	-
Receivables of Governmental Activities	<u>\$ 3,654</u>	<u>\$ 16,693</u>	<u>\$ 158</u>	<u>\$ 20,505</u>	<u>\$ 1,627</u>
Business-type Activities:					
Notes receivable, current	\$ -	\$ -	\$ -	\$ -	\$ 3,238
Long-term notes receivable	-	-	-	-	8,787
	-	-	-	-	12,025
Less: Allowance for uncollectables	-	-	-	-	(440)
Receivables of Business-type Activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,585</u>

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

Receivables for component units at September 30, 2015 consisted of the following (dollars in thousands):

	Component Units								
	CNB	HACN	CNCCA	CNHHS	CNWM	CHP	CNF	CNHS	Total
Receivables:									
Accounts and other	<u>\$ 66,941</u>	<u>\$ 303</u>	<u>\$ 37</u>	<u>\$ 445</u>	<u>\$ 156</u>	<u>\$ 1,138</u>	<u>\$ 1</u>	<u>\$ 17</u>	<u>\$ 69,038</u>
Interest	-	431	-	-	-	-	-	-	431
Notes	<u>1,245</u>	<u>16,533</u>	-	-	-	-	-	-	<u>17,778</u>
	1,245	16,964	-	-	-	-	-	-	18,209
Less: Allowance for uncollectables	<u>(804)</u>	-	<u>(5)</u>	<u>(68)</u>	-	<u>(225)</u>	-	-	<u>(1,102)</u>
Receivables, net	<u>\$ 67,382</u>	<u>\$ 17,267</u>	<u>\$ 32</u>	<u>\$ 377</u>	<u>\$ 156</u>	<u>\$ 913</u>	<u>\$ 1</u>	<u>\$ 17</u>	<u>\$ 86,145</u>

Mortgages Receivable – Title VI

HACN has mortgages receivable at September 30, 2015 totaling \$16,050,000 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, 2015 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, 2015, the current and noncurrent portions of these mortgages receivable were \$519,000 and \$15,531,000, respectively. The Nation has a related note receivable from HACN recorded in its Business-type Activities.

5. INTERFUND TRANSFERS AND BALANCES

Interfund transfers for the year ended September 30, 2015 consisted of the following (dollars in thousands):

Category and Fund	Transfers from Other Funds	Transfers to Other Funds
Governmental Activities:		
Governmental Funds:		
General	\$ 15	\$ (5,225)
Self Governance DOI Roads	-	(15)
Self Governance DHHS	-	(1,600)
Housing & Urban Development	30	(75)
Capital Projects Fund	2,400	-
Nonmajor Governmental Funds	4,433	(1,723)
Total Governmental Funds	6,878	(8,638)
Internal Service Funds	99	-
Total Governmental Activities	6,977	(8,638)
Business-type Activities:		
Proprietary Funds:		
Nonmajor Enterprise Funds	1,761	(100)
Total Proprietary Funds	1,761	(100)
Total Business-type Activities	1,761	(100)
Total Primary Government	\$ 8,738	\$ (8,738)
Reconciliation to government-wide Statement of Activities:		
Governmental Activities:		
Transfers In	\$ 6,977	
Transfers Out	(8,638)	
Net Transfer Governmental Activities		\$ (1,661)
Business-type Activities:		
Transfers In	\$ 1,761	
Transfers Out	(100)	
Net Transfer Business-type Activities		\$ 1,661

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, 2015 consisted of the following (dollars in thousands):

Category and Fund	Due from Other Funds	Due to Other Funds
Governmental Activities:		
Governmental Funds:		
General	\$ 6,933	\$ 17,667
Self Governance DOI Roads	-	197
Department of Transportation	-	472
Self Governance DHHS	-	10,191
Housing & Urban Development	2,845	-
Capital Projects Fund	9,634	-
Nonmajor Governmental Funds	4	9,235
Total Governmental Funds	<u>19,416</u>	<u>37,762</u>
Internal Service Funds	<u>21,544</u>	<u>2,768</u>
Total Governmental Activities	<u>40,960</u>	<u>40,530</u>
Business-type Activities:		
Proprietary Funds:		
Title VI Loan Fund	-	470
Nonmajor Enterprise Funds	47	7
Total Proprietary Funds	<u>47</u>	<u>477</u>
Total Business-type Activities	<u>47</u>	<u>477</u>
Total Primary Government	<u>\$ 41,007</u>	<u>\$ 41,007</u>
Reconciliation to government-wide Statement of Net Position:		
Governmental Activities:		
Due from Other Funds	\$ 40,960	
Due to Other Funds	<u>(40,530)</u>	
Net Internal Balances		<u>\$ 430</u>
Business-type Activities:		
Due from Other Funds	\$ 47	
Due to Other Funds	<u>(477)</u>	
Net Internal Balances		<u>\$ (430)</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, 2015 (dollars in thousands):

	Governmental Funds	Internal Service Funds	Component Units
Finished goods and raw materials	\$ -	\$ -	\$ 26,279
Food for distribution	1,079	-	-
Pharmaceuticals and supplies	<u>3,002</u>	<u>146</u>	<u>511</u>
	4,081	146	26,790
Less inventory reserves	<u>-</u>	<u>-</u>	<u>(6,486)</u>
Total inventories	<u>\$ 4,081</u>	<u>\$ 146</u>	<u>\$ 20,304</u>

The majority of the component unit inventory at September 30, 2015 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, 2015 follows (dollars in thousands):

Governmental Activities

	Balance, September 30, <u>2014</u>	<u>Additions</u>	<u>Reductions</u>	Balance, September 30, <u>2015</u>
Activity by Major Class				
Capital assets, not being depreciated:				
Land	\$ 18,471	\$ 627	\$ -	\$ 19,098
Construction in process	6,189	2,047	(6,189)	2,047
Total capital assets, not being depreciated	<u>24,660</u>	<u>2,674</u>	<u>(6,189)</u>	<u>21,145</u>
Capital assets being depreciated:				
Buildings and improvements	142,052	45,508	(391)	187,169
Equipment	74,489	9,001	(1,593)	81,897
Land improvements	854	-	-	854
Total capital assets being depreciated	<u>217,395</u>	<u>54,509</u>	<u>(1,984)</u>	<u>269,920</u>
Less accumulated depreciation for:				
Buildings and improvements	(27,997)	(5,104)	113	(32,988)
Equipment	(45,647)	(9,323)	1,519	(53,451)
Land improvements	(231)	(40)	-	(271)
Total accumulated depreciation	<u>(73,875)</u>	<u>(14,467)</u>	<u>1,632</u>	<u>(86,710)</u>
Total capital assets being depreciated, net	<u>143,520</u>	<u>40,042</u>	<u>(352)</u>	<u>183,210</u>
Activity by major class capital assets, net	<u>\$ 168,180</u>	<u>\$ 42,716</u>	<u>\$ (6,541)</u>	<u>\$ 204,355</u>

Depreciation expense was charged to functions as follows:

Governmental activities:

Tribal Government	\$ 2,883
Health Services	9,659
Education Services	459
Human Services	404
Community Services	<u>1,062</u>
Total Governmental activities depreciation expense	<u>\$ 14,467</u>

<u>Business-type Activities</u>	Balance, September 30, <u>2014</u>	<u>Additions</u>	<u>Reductions</u>	Balance, September 30, <u>2015</u>
Capital assets, not being depreciated - Land	\$ 81	\$ -	\$ -	\$ 81
Capital assets being depreciated:				
Buildings and improvements	1,888	-	-	1,888
Total capital assets being depreciated	1,888	-	-	1,888
Less accumulated depreciation for:				
Buildings and improvements	(1,534)	(49)	-	(1,583)
Total accumulated depreciation	(1,534)	(49)	-	(1,583)
Total capital assets being depreciated, net	354	(49)	-	305
Business-type activities capital assets, net	\$ 435	\$ (49)	\$ -	\$ 386

Depreciation expense of \$49,000 was recognized by Tsa-La-Gi Apartments for the year ended September 30, 2015.

Component Unit Activities

	Balance, September 30, 2014	Additions	Reductions	Balance, September 30, 2015
CNB and HACN:				
Capital assets, not being depreciated:				
Land	\$ 55,095	\$ 558	\$ (733)	\$ 54,920
Construction in progress	27,935	127,929	(105,030)	50,834
Artwork	<u>2,411</u>	<u>943</u>	<u>(23)</u>	<u>3,331</u>
Total capital assets not being depreciated	<u>85,441</u>	<u>129,430</u>	<u>(105,786)</u>	<u>109,085</u>
Capital assets being depreciated:				
Buildings, improvements and other	606,243	78,296	(19,333)	665,206
Machinery and equipment	<u>238,649</u>	<u>40,251</u>	<u>(35,886)</u>	<u>243,014</u>
Total capital assets being depreciated	<u>844,892</u>	<u>118,547</u>	<u>(55,219)</u>	<u>908,220</u>
Less accumulated depreciation for:				
Buildings and improvements	(167,634)	(22,976)	14,869	(175,741)
Machinery and equipment	<u>(161,639)</u>	<u>(24,220)</u>	<u>34,676</u>	<u>(151,183)</u>
Total accumulated depreciation	<u>(329,273)</u>	<u>(47,196)</u>	<u>49,545</u>	<u>(326,924)</u>
Total capital assets being depreciated, net	<u>515,619</u>	<u>71,351</u>	<u>(5,674)</u>	<u>581,296</u>
CNB and HACN activities capital assets–net	<u>601,060</u>	<u>200,781</u>	<u>(111,460)</u>	<u>690,381</u>
Other Component Unit activities – CNHHS, CNCCA, CNWM, CHP, CNF and CNHS capital assets, net	<u>7,423</u>	<u>1,243</u>	<u>(26)</u>	<u>8,640</u>
Total of the Component Unit activities–capital assets, net	<u>\$ 608,483</u>	<u>\$ 202,024</u>	<u>\$ (111,486)</u>	<u>\$ 699,021</u>

8. LONG-TERM DEBT

Long-term debt activity for the year ended September 30, 2015 was as follows (dollars in thousands):

<u>Governmental Activities</u>	Balance, September 30,			Balance, September 30,		
	<u>2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>2015</u>	<u>Current Portion</u>	<u>Long-Term Portion</u>
Notes Payable						
Note payable to Bank of Oklahoma (BOK) in fixed principal payments. See (1) below.	17,333	-	(1,600)	15,733	1,600	14,133
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.	14,915	-	(1,955)	12,960	800	12,160
Total long-term debt	<u>\$ 32,248</u>	<u>\$ -</u>	<u>\$ (3,555)</u>	<u>\$ 28,693</u>	<u>\$ 2,400</u>	<u>\$ 26,293</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. At September 30, 2015, the Nation owned a \$27,889,000 certificate of deposit, which includes \$3,889,000 of interest earned on the certificate of deposit. This certificate of deposit is reported in the Nation's General Fund as restricted cash, cash equivalents and investments and is used, in part, as collateral on the note, which had a balance of \$15,733,000 at September 30, 2015. 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.

The balance of long-term debt for business-type activities at September 30, 2015 was \$6,432,000. The balance of long-term debt for Component Units at September 30, 2015 was \$23,480,000. Long-term debt in the business-type activities and component units at September 30, 2015 consisted of the following (dollars in thousands):

<u>Business-type Activities</u>	<u>Balance,</u> <u>September 30,</u> <u>2014</u>			<u>Balance,</u> <u>September 30,</u> <u>2015</u>		
	<u>2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>2015</u>	<u>Current</u> <u>Portion</u>	<u>Long-Term</u> <u>Portion</u>
Title VI Loan Fund						
Note payable to bank in fixed principal payments. See (3)	\$ 7,099	\$ -	\$ (1,792)	\$ 5,307	\$ 1,202	\$ 4,105
Economic Development Trust Authority						
Notes payable to the Department of Agriculture in variable annual installments including interest of 1% annual, with final payment due August 2034.	<u>1,188</u>	<u>-</u>	<u>(63)</u>	<u>1,125</u>	<u>63</u>	<u>1,062</u>
Total long-term debt	<u>\$ 8,287</u>	<u>\$ -</u>	<u>\$ (1,855)</u>	<u>\$ 6,432</u>	<u>\$ 1,265</u>	<u>\$ 5,167</u>

- (3) In July 2002, the Nation entered into a \$50,000,000 loan agreement, 95% guaranteed by United States Department of Housing and Urban Development. The loan proceeds were divided into two separate “pools” which carry different interest rates over the life of the loan. Pool A was paid off in July 2013. Pool B, with a balance at September 30, 2015 of \$5,307,000 carries a variable interest rate, reset monthly, and derived from the 30 day LIBOR + 70 basis points, which at September 30, 2015 was 0.893%. 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, 2015 was \$5,307,000, of which, \$1,202,000 is included in notes receivable current and \$4,105,000 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>	Balance,			Balance,		
	September 30,			September 30,	Current	Long-Term
	<u>2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>2015</u>	<u>Portion</u>	<u>Portion</u>
Housing Authority of the Cherokee Nation (HACN)						
Note payable to Cherokee Nation in fixed monthly principal payments of \$100 with interest calculated on the outstanding balance each month. See (4)	\$ 7,099	\$ -	\$ (1,792)	\$ 5,307	\$ 1,202	\$ 4,105
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 (5)	82	-	(5)	77	12	65
Assumable Mortgage Program (*AMP*) - loans for use in the purchase of homes provided to program participants. Interest rates vary from 6.25% to 7% and are payable in monthly installments over thirty (30) years. See (6)	4,555	9,519	(138)	13,936	250	13,686
Cherokee Nation Comprehensive Care Agency (CNCCA)						
Note payable to CNB to finance building construction and secured by same at 6.5%, principal and interest payments of \$9 due monthly beginning May 2008 and ending April 2018, at which time any remaining principal is due and payable.	1,269	-	(24)	1,245	25	1,220
Notes payables to finance vehicles secured by the vehicles at various principal and interest of \$1 due monthly from July 2008 and ending February 2016.	18	-	(18)	-	-	-
Cherokee Health Partners, LLC (CHP)						
3.5% note payable, due in monthly installments of \$18 including interest, through December 2019, secured by equipment.	-	910	-	910	190	720
Cherokee Nation Home Health Service (CNHHS)						
Bank note payable dated June 7, 2006 in the original amount of \$371 has monthly payments of \$3, including interest at 5.25% and matures June 7, 2017, secured by a building and land. See (7)	271	-	(17)	254	18	236
Bank note payable dated December 5, 2007 in the original amount of \$54 has monthly payments of \$1, including interest at 8% and matures November 8, 2017 secured by a building.	2	-	(2)	-	-	-
Capital lease for buildings and equipment at an interest rate of 2.05%.	76	27	(23)	80	26	54
Line of credit	377	-	(24)	353	353	-
Cherokee National Historical Society, Inc (CNHS)						
Bank note payable dated August 12, 2013 in the original amount of \$130 and was due November 12, 2015. Interest is variable equal to BOK Financial Corp Index.	93	-	(1)	92	-	92
Cherokee Nation Waste Management (CNWM)						
Capital lease for equipment used in the Cherokee Nation Sanitary Landfill operations issued April 14, 2014.	1,431	-	(205)	1,226	210	1,016
Total long-term debt	<u>\$ 15,273</u>	<u>\$ 10,456</u>	<u>\$ (2,249)</u>	<u>\$ 23,480</u>	<u>\$ 2,286</u>	<u>\$ 21,194</u>

(4) HACN, during fiscal year 2015, 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, 2015 was \$5,307,000 carries a variable interest rate reset monthly, derived from the 30 day LIBOR + 70 basis points, which at September 30, 2015 was 0.92%. Pool B principal payments of \$100,000 began

March of 2005 and are scheduled through June 1, 2022, plus interest. During fiscal year 2015, HACN made total principal payments on Pool B of \$1,792,000.

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.

- (5) 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, 2015 the loan balance was \$77,000.
- (6) During fiscal year 2007, HACN began its Assumable Mortgage Program. In fiscal year 2015, HACN took out \$9,519,000 in new loans for use in the purchase of 213 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, 2015, the loan balance was \$13,936,000.
- (7) 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, 2015 was \$254,000.

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

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

	Principal	Interest	Total
Governmental Activities:			
2016	2,400	1,051	3,451
2017	1,600	983	2,583
2018	3,820	881	4,701
2019	3,920	726	4,646
2020	4,025	567	4,592
2021 through 2025	<u>12,928</u>	<u>842</u>	<u>13,770</u>
Total	<u>\$ 28,693</u>	<u>\$ 5,050</u>	<u>\$ 33,743</u>
Business-type Activities:			
2016	1,265	81	1,346
2017	1,265	69	1,334
2018	1,266	57	1,323
2019	1,266	45	1,311
2020	565	33	598
2021 through 2025	335	36	371
2026 through 2030	347	20	367
2031 through 2035	<u>123</u>	<u>3</u>	<u>126</u>
Total	<u>\$ 6,432</u>	<u>\$ 344</u>	<u>\$ 6,776</u>

9. COMPENSATED ABSENCES

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

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

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

Fiscal Year	Balance at Beginning of Year	Leave Earned	Leave Used	Balance at End of Year
2013	\$7,201	\$9,440	(\$10,088)	\$6,553
2014	\$6,553	\$10,995	(\$10,734)	\$6,814
2015	\$6,814	\$11,710	(\$11,158)	\$7,366

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.

10. INTEREST RATE SWAP AGREEMENT

In connection with the issuance of a \$24,000,000 note payable (see (1) footnote 8 on page 67 – 68), the Nation also entered into an interest rate swap agreement with BOK. 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 \$15,733,000 at September 30, 2015. 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, 2015, the agreement had a negative fair value of \$867,000 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 \$867,000 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 highly effective.

Credit Risk

The swap’s fair value represented the Nation’s credit exposure to the counterparty as of September 30, 2015. 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, 2015, 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, 2015. 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, 2015 debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term are set forth in the table below. As rates vary, variable-rate interest payments and net swap payments will vary.

	Variable-Rate Note		Interest Rate Swap, Net	Total
	Principal	Interest		
2016	\$1,600,000	\$167,000	\$315,000	\$2,082,000
2017	1,600,000	149,000	281,000	2,030,000
2018	1,600,000	131,000	247,000	1,978,000
2019	1,600,000	113,000	214,000	1,927,000
2020	1,600,000	96,000	180,000	1,876,000
2021 – 2025	<u>7,733,000</u>	<u>211,000</u>	<u>398,000</u>	<u>8,342,000</u>
	<u>\$15,733,000</u>	<u>\$867,000</u>	<u>\$1,635,000</u>	<u>\$18,235,000</u>

11. LINES OF CREDIT

The Nation has a \$5 million line of credit with Bank of America that has never been used. 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 2015 was \$13,000. The current agreement is set to expire on September 30, 2016, 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, 2015. CNB had letters of credit outstanding totaling \$200,000 at September 30, 2015. CNB's availability was \$99,800,000 at September 30, 2015.

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 is scheduled to mature on March 25, 2016. The balance of the line of credit for the year ended September 30, 2015 was \$353,000.

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, 2015, a gain of \$216,000 was recorded in connection with such transfers.

The HACN Trust Liabilities reflected in the accompanying financial statements primarily includes a liability for funds that have been received from the tenants or homebuyers in the various lease-to-own programs. These funds are held in a trust type account to be applied to various uses, depending on the agreement with the tenant/homebuyer. The largest of the amounts included in this category are for accounts attributable to the New Mutual Help Housing Program wherein the tenant/homebuyers are credited with a portion of the funds that they have contributed as well as other amounts credited to them in accordance with HUD requirements and program policies. Under the provisions of mutual help occupancy agreements, tenant/homebuyers are required to make payments based on the family or household income. After deducting an administrative fee as set forth by HUD, the remaining balance is credited to the participant's equity payment account (MEPA). The balance of the MEPA accounts, which are being held by HACN on behalf of the New Mutual Help homebuyers, was \$4,017,000 as of September 30, 2015. This along with other credits to these tenant/homebuyers totaled \$4,457,000 at September 30, 2015. 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, 2015, 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 \$38,000.

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, 2015 are as follows (dollars in thousands):

	Major						Total Governmental Funds
	Special Revenue Funds			Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds	
	General Fund	Self Governance DHHS	Housing & Urban Development				
Fund balances:							
Nonspendable:							
Inventory & other assets	\$ -	\$ 11,301	\$ 32	\$ -	\$ 27	\$ 11,360	
Permanent fund principal	-	-	-	-	535	535	
Restricted for:							
Federal, State and Private Grants	-	12,782	645	-	17,876	31,303	
Education, Roads, Health, Safety (MFT)	40,730	-	-	-	-	40,730	
Education (MVT)	5,459	-	-	-	-	5,459	
Roads (MVT)	5,879	-	-	-	-	5,879	
Law Enforcement (MVT)	534	-	-	-	-	534	
Committed for:							
Contract Health Services	2,602	-	-	-	-	2,602	
Land Acquisitions	5,763	-	-	-	-	5,763	
Heart of the Nation	25	-	-	-	-	25	
Job Training and Tuition	19	-	-	-	-	19	
Student activities	210	-	-	-	-	210	
Substance Abuse Treatment	290	-	-	-	-	290	
TERO Job Training Programs	1,133	-	-	-	-	1,133	
Assigned to:							
Budgetary Resources for Subsequent Year	15,274	-	-	-	-	15,274	
Capital Projects	-	-	-	9,634	-	9,634	
Unassigned*:	<u>16,330</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,330</u>	
Total fund balances	<u>\$ 94,248</u>	<u>\$ 24,083</u>	<u>\$ 677</u>	<u>\$ 9,634</u>	<u>\$ 18,438</u>	<u>\$ 147,080</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 \$4,475,000 of the unassigned fund balance was set aside to meet the \$10,084,000 reserve. For Fiscal Year 2016, an additional \$397,000 was appropriated to meet that reserve of \$10,481,000.

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 Landfill Closure 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 \$2,942,000 reported as Landfill Closure and Postclosure Care Liability at September 30, 2015 (included in other noncurrent liabilities), represents the cumulative costs recognized to date based on the existing use of 40% of the total estimated capacity of the landfill. Landfill Closure will recognize the remaining estimated cost of closure and postclosure care of approximately \$4,389,000 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 2015. 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 8.5 million cubic yards. Actual remaining years of operation is dependent upon several factors including the volume of waste accepted on an annual basis.

CNWM currently operates the landfill and is required to make an annual payment to the Nation in an amount sufficient to cover the change in the annually calculated closure/post closure liability associated with the landfill operation. The actual closure/post closure liability relating to the landfill operation will be retained by the Nation, together with the cash 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 2015.

The Nation makes annual contributions to a restricted bank account to finance closure and postclosure care. At September 30, 2015, restricted cash, cash equivalents and investments of approximately \$2,850,000 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.

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, 2015. 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 \$3,232,000 at September 30, 2015, has been recorded in accordance with GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

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

Fiscal Year	Balance at Beginning of Year	Claims and Changes in Estimates	Claim Payments	Balance at End of Year
2013	\$3,876	\$27,264	(\$26,761)	\$4,379
2014	\$4,379	\$26,155	(\$26,468)	\$4,066
2015	\$4,066	\$30,637	(\$31,471)	\$3,232

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.

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. A standalone Fiduciary Liability policy is also provided with a \$1,000,000 limit; and, an E-Commerce Liability policy was added mid-policy year with a \$2,000,000 limit.

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 follows (dollars in thousands):

Fiscal Year	Balance at Beginning of Year	Claims and Changes in Estimates	Claim Payments	Balance at End of Year
2013	\$3,458	\$32,591	(\$32,248)	\$3,801
2014	\$3,801	\$37,496	(\$37,117)	\$4,180
2015	\$4,180	\$45,957	(\$45,338)	\$4,799

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 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 Executive 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 2015 was approximately \$165,579,000, which included approximately \$163,859,000 for employees covered by the plan. Contributions to the 401(k) plan for 2015 were approximately \$12,996,000. Contributions expressed in dollars and percent of covered payroll were: Nation \$5,531,000, 4.3% and participants \$7,465,000, 5.7%. The Nation's required contribution and percentage of contribution for fiscal year 2015 and the two preceding years follows:

(dollars in thousands)

Fiscal Year	Required Contribution	Percentage Contribution
2013	\$4,840	100%
2014	\$5,297	100%
2015	\$5,531	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 2015 were \$335,000 of which \$101,000 was required and made by the Nation and \$234,000 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 2015, participating employees contributed \$10,500,000 to the Plan.

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 \$688,000 for 2015.

At September 30, 2015, liabilities under deferred compensation and long-term incentive compensation arrangements for executives of CNB and its component units totaled approximately \$2,300,000.

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, 2015 were approximately \$28,000. The plan also has a profit sharing provision. The amount of the profit sharing contribution is at the discretion of the board of CNCCA. Profit sharing contributions are fully vested after three years of participation. CNCCA made no profit sharing contributions for the year ended September 30, 2015.

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, 2015). Dividend payments to the Nation by component units totaled \$45,448,000 (which includes an accrual) at September 30, 2015.

Cherokee Nation Businesses, LLC (CNB)

The Nation levies certain taxes and fees which apply to some of the Nation's component units. During 2015, the Nation collected a tribal tax on food and beverage, tobacco, merchandise and other retail sales from CNE totaling \$3,500,000.

The Nation also provides certain security services to CNE through the Nation's Marshal Service. In 2015, the Nation collected \$891,000 from CNE for services provided by the Marshals.

CNE recorded fees of approximately \$2,600,000 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. CNB expended \$26,300,000 on these projects in the current year, which are reported as other assets in the accompanying Statement of Net Position – Component Units until transferred to the Nation. During 2015, approximately \$28,988,000 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.

CNE operates the gift shop at the Cherokee Heritage Center (the Heritage Center). The operations of the gift shop are included in the accompanying financial statements and resulted in a net loss of \$61,000 in 2015. In addition to operating the gift shop, CNE provides marketing services for the Heritage Center. The cost of the marketing and other services totaled \$235,000 for 2015 and is included in the accompanying statements of revenues, expenses and changes in net position.

CNE provides funding for cultural development activities on behalf of the Nation. These activities involve restoring Cherokee landmarks as well as engaging in campaigns to inform the public of the Nation's history and making contributions to communities within the Nation. During 2015, CNE incurred \$2,800,000 in operating and employee costs in addition to a \$288,000 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, 2015 was \$1,245,000.

Housing Authority of the Cherokee Nation of Oklahoma (HACN)

The HACN has recorded \$16,274,000 in grant revenue in 2015 which is the result of pass through funding from the Nation in relation to the Nation's NAHASDA funding.

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. CNHS remained responsible for all charitable fundraising, maintaining memberships, operating the museum and teaching the Cherokee Humanities Course. In 2015, CNE provided marketing services, including group sales, and operation of the museum store at a net cost to CNE of \$235,000.

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 2015, the Nation's general fund included operational expenses of \$705,000 for CNHS. .

18. COMMITMENTS AND CONTINGENCIES

Citizenship Litigation

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

BIA and IHS Contract Support Cost Settlement

The Nation is a member of the class of contractors whose claims were addressed in a June 18, 2012 United States Supreme Court decision which ruled that the Bureau of Indian Affairs (BIA) should pay the full amount of contract support costs incurred by tribes performing contracts with the BIA. The courts have not allowed a class action against the Indian Health Services (IHS), but similar claims exist with the IHS for the payment of Contract Support Costs (CSC). The IHS has affirmed its commitment to resolving Tribal claims for unpaid CSC. Based on historical practice, these claims will settle upon the completion of individual discussions with tribes who have presented such claims to IHS.

Although a favorable Supreme Court decision has been received on the BIA class action suit, and the IHS has affirmed their commitment to resolving tribal claims for unpaid CSC, because of the significant uncertainties surrounding these claims, it is not possible to determine a reasonable estimate of the amount

of any ultimate recovery from BIA or IHS and therefore no recovery has been recorded by the Nation as of September 30, 2015.

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 a motor fuel marketing agreement with a vendor to purchase motor fuel products for sale at the Roland Travel Plaza in Roland, Oklahoma, which opened in May 2007. The agreement is effective the first day of the month following completion and expires in 2017. Total purchases under this agreement were \$5,100,000 in 2015.

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 annual 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, 2015, 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, 2015, CNE had a construction project underway for the building of a hotel and expansion of the casino in Roland. The remaining estimated cost for the project at September 30, 2015, was approximately \$16,400,000. These remaining costs are expected to be incurred during 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, 2015, the Nation received notification of settlement in the BIA Contract Support Cost Settlement class action suit. However, the amount awarded to the Nation is still unknown. Therefore, an amount has not been recorded as a recovery in the Nation’s financial statements as of September 30, 2015.

On February 24, 2016, the Nation signed an agreement with Indian Health Service (IHS). The Nation will construct and equip a 450,000 square-foot health center addition to the hospital Complex. In return, IHS will provide additional monetary support for operations of the hospital at an estimated \$80 million or more per year. The funding is expected to last a minimum of 20 years, or potentially for the life of the hospital.



Other Supplementary Information



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Nonmajor Governmental Funds



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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.

CHEROKEE NATION
 COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2015
 (Dollars in Thousands)

	Special Revenue Funds											Debt Service				Permanent Funds				Total Nonmajor Governmental Funds
	Self Governance DOI-Other	Sequoyah Education	Talking Leaves Job Corps	Diabetes	Food Distribution	Women, Infants, & Children	Head Start	PL 102-477	Other Grants	Tribal Judgment Funds	Tribal Trusts	Total	Debt Service Fund	Sequoyah Endowment	Gannon Education Trust	Skinner Family Living Trust	Total			
ASSETS																				
Cash and cash equivalents	\$ 6,683	\$ 10,820	\$ 25	\$ 4,992	\$ -	\$ -	\$ -	\$ 10,991	\$ 1,366	\$ 1,214	\$ 275	\$ 36,366	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 36,366		
Investments	-	-	-	-	-	-	-	-	-	10,585	3,185	13,770	-	-	-	-	-	13,770		
Receivables, net	2	3,663	293	-	204	147	289	10	2,936	15	77	3,973	-	-	-	-	-	3,973		
Due from other funds	-	-	-	-	-	4	-	-	-	-	-	4	-	-	-	-	-	4		
Due from component units	-	-	-	-	-	-	-	-	10	-	-	10	-	-	-	-	-	10		
Inventories	-	-	-	-	1,079	-	-	-	-	-	-	1,079	-	-	-	-	-	1,079		
Notes receivable	-	-	-	-	-	-	-	-	27	-	-	27	-	-	-	-	-	27		
Other current assets	11	-	-	-	-	469	-	-	-	-	-	480	-	-	-	-	-	480		
Restricted cash, cash equivalents and investments	-	-	-	-	-	-	-	-	-	-	-	-	864	211	291	110	1,476	612		
Total assets	\$ 6,696	\$ 10,820	\$ 318	\$ 4,992	\$ 1,283	\$ 620	\$ 289	\$ 11,001	\$ 4,339	\$ 11,814	\$ 3,537	\$ 55,709	\$ 864	\$ 211	\$ 291	\$ 110	\$ 1,476	\$ 612	\$ 57,185	
LIABILITIES AND FUND BALANCES																				
Liabilities:																				
Accrued liabilities	\$ 1,803	\$ 3,663	\$ 318	\$ 83	\$ 204	\$ 5	\$ 289	\$ 1,006	\$ 5	\$ 1,784	\$ 21	\$ 10	\$ 44	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10	
Due to other funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9,235	
Other liabilities	4,893	7,156	-	4,909	1,079	495	-	9,139	1,711	-	-	120	-	-	-	-	-	-	120	
Unearned revenue	6,696	10,819	318	4,992	1,283	620	289	10,145	1,736	1,784	21	29,362	44	-	-	-	-	-	29,382	
Total liabilities	\$ 13,392	\$ 22,637	\$ 954	\$ 10,984	\$ 3,566	\$ 1,120	\$ 289	\$ 20,295	\$ 3,452	\$ 3,565	\$ 42	\$ 29,516	\$ 48	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,355	
Fund balances:																				
Nonspendable	-	-	-	-	-	-	-	-	27	-	-	27	-	-	291	110	535	-	562	
Restricted	-	1	-	-	-	-	-	856	2,576	10,030	3,516	16,979	820	77	-	-	77	-	17,876	
Total fund balances	\$ -	\$ 1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 856	\$ 2,603	\$ 10,030	\$ 3,516	\$ 17,006	\$ 820	\$ 77	\$ 291	\$ 110	\$ 612	\$ 18,438		
Total liabilities and fund balances	\$ 6,696	\$ 10,820	\$ 318	\$ 4,992	\$ 1,283	\$ 620	\$ 289	\$ 11,001	\$ 4,339	\$ 11,814	\$ 3,537	\$ 55,709	\$ 864	\$ 211	\$ 291	\$ 110	\$ 1,476	\$ 612	\$ 57,185	

CHEROKEE NATION
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2015
 (Dollars in Thousands)

	Special Revenue Funds										Debt Service			Permanent Funds			Total Nonmajor Governmental Funds
	Self Governance DOI-Other	Sequoyah Education	Talking Leaves Job Corps	Diabetes	Food Distribution	Women, Infants, & Children	Head Start	PL 102-477	Other Grants	Tribal Judgment Funds	Tribal Trusts	Total	Debt Service Fund	Sequoyah Endowment	Gannon Education Trust	Skinner Family Living Trust	
Revenues:																	
Intergovernmental	\$ 12,740	\$ 8,077	\$ 6,519	\$ 5,362	\$ 10,771	\$ 5,975	\$ 7,403	\$ 12,320	\$ 25,071	\$ -	\$ -	\$ 94,238	\$ -	\$ -	\$ -	\$ -	\$ 94,238
Interest	-	-	-	-	-	-	-	-	-	301	89	390	-	-	-	-	390
Other	598	15	-	-	98	-	2,535	831	2,371	-	101	6,549	-	-	110	110	6,659
Third party revenues	-	-	-	-	-	-	-	-	1,657	-	-	1,657	-	-	-	-	1,657
Total revenues	13,338	8,092	6,519	5,362	10,869	5,975	9,938	13,151	29,099	301	190	102,834	-	-	110	110	102,944
Expenditures:																	
Current operating:																	
Tribal government	5,734	-	-	-	-	-	-	-	315	(376)	(122)	5,551	-	-	-	-	5,551
Health services	3,993	9,204	6,519	5,354	-	5,975	9,872	1,165	10,017	-	-	21,346	-	-	-	-	21,346
Education services	3,059	-	-	-	11,533	-	-	12,006	3,936	-	-	34,689	-	-	-	-	34,689
Human services	553	-	-	-	-	-	-	-	10,056	-	-	36,654	-	-	-	-	36,654
Community services	-	-	-	-	-	-	-	-	2,618	-	-	3,171	-	-	-	-	3,171
Debt service:	-	-	-	-	-	-	-	-	-	-	-	-	1,955	-	-	-	1,955
Principal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	636
Capital outlay	41	-	-	8	78	-	66	13	488	-	-	694	-	-	-	-	694
Total expenditures	13,380	9,204	6,519	5,362	11,611	5,975	9,938	13,184	27,430	(376)	(122)	102,105	-	-	-	-	104,696
Excess (deficiency) of revenues over expenditures	(42)	(1,112)	-	-	(742)	-	-	(33)	1,669	677	312	729	-	-	110	110	(1,752)
Other financing sources (uses):																	
Insurance recoveries	-	2	-	-	-	-	-	33	-	-	-	35	-	-	-	-	35
Transfers in	79	1,109	-	-	742	-	-	-	903	-	-	2,833	1,600	-	-	-	4,433
Transfers out	(37)	-	-	-	-	-	-	-	(1,686)	-	-	(1,723)	-	-	-	-	(1,723)
Total other financing sources (uses)	42	1,111	-	-	742	-	-	33	(783)	-	-	1,145	1,600	-	-	-	2,745
Net change in fund balances	-	(1)	-	-	-	-	-	-	886	677	312	1,874	(991)	-	110	110	993
Fund balance, October 1, 2014	-	-	-	-	-	-	-	856	1,717	9,353	3,204	15,132	291	211	-	-	17,445
Fund balance, September 30, 2015	\$ -	\$ 1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 856	\$ 2,603	\$ 10,030	\$ 3,516	\$ 17,006	\$ 820	\$ 211	\$ 110	\$ 612	\$ 18,438



Nonmajor Enterprise Funds



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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.
- **Landfill Closure** – Utilized to account for the solid waste landfill 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, 2015

(Dollars in Thousands)

	<u>Tsa-La-Gi Apartments</u>	<u>Landfill Closure</u>	<u>EDTA</u>	<u>Total</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 384	\$ -	\$ 2,111	\$ 2,495
Due from other funds	-	-	47	47
Due from component units	-	92	-	92
Notes receivable, current	-	-	1,596	1,596
Other current assets	2	-	-	2
Total current assets	<u>386</u>	<u>92</u>	<u>3,754</u>	<u>4,232</u>
Noncurrent assets:				
Restricted cash and cash equivalents	325	2,850	-	3,175
Long-term notes receivable	-	-	4,682	4,682
Capital assets, net	<u>386</u>	<u>-</u>	<u>-</u>	<u>386</u>
Total noncurrent assets	<u>711</u>	<u>2,850</u>	<u>4,682</u>	<u>8,243</u>
Total assets	<u>1,097</u>	<u>2,942</u>	<u>8,436</u>	<u>12,475</u>
LIABILITIES				
Current liabilities:				
Accrued liabilities	21	-	-	21
Current portion of long-term debt	-	-	63	63
Due to other funds	7	-	-	7
Other current liabilities	<u>21</u>	<u>-</u>	<u>1</u>	<u>22</u>
Total current liabilities	<u>49</u>	<u>-</u>	<u>64</u>	<u>113</u>
Noncurrent liabilities:				
Long-term debt	-	-	1,062	1,062
Other liabilities	<u>-</u>	<u>2,942</u>	<u>-</u>	<u>2,942</u>
Total noncurrent liabilities	<u>-</u>	<u>2,942</u>	<u>1,062</u>	<u>4,004</u>
Total liabilities	<u>49</u>	<u>2,942</u>	<u>1,126</u>	<u>4,117</u>
NET POSITION				
Net investment in capital assets	386	-	-	386
Restricted for:				
Capital replacements	287	-	-	287
Unrestricted	<u>375</u>	<u>-</u>	<u>7,310</u>	<u>7,685</u>
Total net position	<u>\$ 1,048</u>	<u>\$ -</u>	<u>\$ 7,310</u>	<u>\$ 8,358</u>

CHEROKEE NATION

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - NONMAJOR ENTERPRISE FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2015 (Dollars in Thousands)

	<u>Tsa-La-Gi Apartments</u>	<u>Landfill Closure</u>	<u>EDTA</u>	<u>Total</u>
Operating revenues:				
Property rentals	\$ 530	\$ -	\$ -	\$ 530
Charges for services and goods	-	-	2	2
Interest income, loans	-	-	250	250
Other	3	-	61	64
Total operating revenues	<u>533</u>	<u>-</u>	<u>313</u>	<u>846</u>
Operating expenses:				
Salaries and wages	66	-	-	66
Other services and charges	344	-	143	487
Materials and supplies	28	-	-	28
Depreciation	49	-	-	49
Total operating expenses	<u>487</u>	<u>-</u>	<u>143</u>	<u>630</u>
Operating income	<u>46</u>	<u>-</u>	<u>170</u>	<u>216</u>
Nonoperating revenues (expenses):				
Interest income	1	-	1	2
Interest expense	-	-	(12)	(12)
Net nonoperating revenues (expenses)	<u>1</u>	<u>-</u>	<u>(11)</u>	<u>(10)</u>
Income before transfers	47	-	159	206
Transfers in	-	-	1,761	1,761
Transfers out	-	-	(100)	(100)
Change in net position	47	-	1,820	1,867
Total net position - beginning	<u>1,001</u>	<u>-</u>	<u>5,490</u>	<u>6,491</u>
Total net position - ending	<u>\$ 1,048</u>	<u>\$ -</u>	<u>\$ 7,310</u>	<u>\$ 8,358</u>

CHEROKEE NATION

COMBINING STATEMENT OF CASH FLOWS - NONMAJOR ENTERPRISE FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2015 (Dollars in Thousands)

	Tsa-La-Gi Apartments	Landfill Closure	EDTA	Total
Cash flows from operating activities:				
Receipts from customers	\$ 530	\$ -	\$ 2	\$ 532
Payments to suppliers	(371)	-	(142)	(513)
Payments to employees	(66)	-	-	(66)
Internal activity - payments from other funds	(40)	-	-	(40)
Internal activity - payments to other funds	-	-	55	55
Internal activity - payments from component units	-	73	-	73
Interest received on loans	-	-	250	250
Other receipts	3	-	61	64
Net cash provided by operating activities	<u>56</u>	<u>73</u>	<u>226</u>	<u>355</u>
Cash flows from noncapital financing activities:				
Transfer from other funds	-	-	1,761	1,761
Transfer to other funds	-	-	(100)	(100)
Principal paid on notes payable	-	-	(63)	(63)
Interest paid on notes payable	-	-	(12)	(12)
Net cash provided by noncapital financing activities	<u>-</u>	<u>-</u>	<u>1,586</u>	<u>1,586</u>
Cash flows from investing activities:				
Interest received	1	-	1	2
Increase in notes receivable, net	-	-	(772)	(772)
Net cash provided by (used for) investing activities	<u>1</u>	<u>-</u>	<u>(771)</u>	<u>(770)</u>
Net increase (decrease) in cash and cash equivalents	57	73	1,041	1,171
Cash and cash equivalents, October 1, 2014	<u>652</u>	<u>2,777</u>	<u>1,070</u>	<u>4,499</u>
Cash and cash equivalents, September 30, 2015	<u>\$ 709</u>	<u>\$ 2,850</u>	<u>\$ 2,111</u>	<u>\$ 5,670</u>
Cash and cash equivalents consist of:				
Unrestricted cash and cash equivalents	\$ 384	\$ -	\$ 2,111	\$ 2,495
Restricted cash and cash equivalents	325	2,850	-	3,175
Total Cash and Cash Equivalents, September 30, 2015	<u>\$ 709</u>	<u>\$ 2,850</u>	<u>\$ 2,111</u>	<u>\$ 5,670</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 46	\$ -	\$ 170	\$ 216
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	49	-	-	49
Change in assets and liabilities:				
Receivables, net	-	43	55	98
Accounts and other payables	(39)	30	1	(8)
Net cash provided by operating activities	<u>\$ 56</u>	<u>\$ 73</u>	<u>\$ 226</u>	<u>\$ 355</u>



Internal Service Funds



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

- **Internal Leases** is used to account for the cost to maintain certain buildings for use by other funds of the Nation.
- **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, 2015

(Dollars in Thousands)

	<u>Internal Leases</u>	<u>Fringe Pool</u>	<u>Indirect Cost Pool</u>	<u>Total</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ -	\$ 4,386	\$ 166	\$ 4,552
Accounts receivable, net	-	754	124	878
Due from other funds	-	11,586	9,958	21,544
Due from component units	-	99	72	171
Inventories	-	-	146	146
Other current assets	-	40	486	526
Total current assets	<u>-</u>	<u>16,865</u>	<u>10,952</u>	<u>27,817</u>
Noncurrent assets:				
Capital assets, net	<u>9,281</u>	<u>-</u>	<u>2,120</u>	<u>11,401</u>
Total noncurrent assets	<u>9,281</u>	<u>-</u>	<u>2,120</u>	<u>11,401</u>
Total assets	<u>9,281</u>	<u>16,865</u>	<u>13,072</u>	<u>39,218</u>
LIABILITIES				
Current liabilities:				
Accrued liabilities	-	15,403	821	16,224
Due to other funds	2,768	-	-	2,768
Compensated absences	-	7,366	-	7,366
Other current liabilities	-	3,232	8,595	11,827
Total current liabilities	<u>2,768</u>	<u>26,001</u>	<u>9,416</u>	<u>38,185</u>
Total liabilities	<u>2,768</u>	<u>26,001</u>	<u>9,416</u>	<u>38,185</u>
NET POSITION				
Net investment in capital assets	9,281	-	2,120	11,401
Unrestricted (deficit)	<u>(2,768)</u>	<u>(9,136)</u>	<u>1,536</u>	<u>(10,368)</u>
Total net position	<u>\$ 6,513</u>	<u>\$ (9,136)</u>	<u>\$ 3,656</u>	<u>\$ 1,033</u>

CHEROKEE NATION

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015
(Dollars in Thousands)**

	<u>Internal Leases</u>	<u>Fringe Pool</u>	<u>Indirect Cost Pool</u>	<u>Total</u>
Operating revenues:				
Property rentals	\$ 7	\$ -	\$ -	\$ 7
Charges for services and goods	4,557	75,468	41,520	121,545
Other	51	-	250	301
Total operating revenues	<u>4,615</u>	<u>75,468</u>	<u>41,770</u>	<u>121,853</u>
Operating expenses:				
Salaries and wages	2,256	76,942	23,598	102,796
Other services and charges	1,520	21	16,497	18,038
Materials and supplies	397	-	946	1,343
Depreciation	567	-	535	1,102
Total operating expenses	<u>4,740</u>	<u>76,963</u>	<u>41,576</u>	<u>123,279</u>
Operating income (loss)	<u>(125)</u>	<u>(1,495)</u>	<u>194</u>	<u>(1,426)</u>
Nonoperating revenues (expenses):				
Gain/(loss) on sale of capital assets	(85)	-	-	(85)
Net nonoperating revenues (expenses)	<u>(85)</u>	<u>-</u>	<u>-</u>	<u>(85)</u>
Income (loss) before transfers	(210)	(1,495)	194	(1,511)
Transfers in	-	-	99	99
Change in net position	(210)	(1,495)	293	(1,412)
Total net position - beginning	<u>6,723</u>	<u>(7,641)</u>	<u>3,363</u>	<u>2,445</u>
Total net position - ending	<u>\$ 6,513</u>	<u>\$ (9,136)</u>	<u>\$ 3,656</u>	<u>\$ 1,033</u>

CHEROKEE NATION

COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2015 (Dollars in Thousands)

	<u>Internal Leases</u>	<u>Fringe Pool</u>	<u>Indirect Cost Pool</u>	<u>Total</u>
Cash flows from operating activities:				
Receipts from customers - other funds	\$ 4,564	\$ 76,019	\$ 41,687	\$ 122,270
Payments to suppliers	(1,917)	-	(17,609)	(19,526)
Payments to employees	(2,256)	(76,390)	(23,598)	(102,244)
Internal activity - payments to other funds	-	-	(102)	(102)
Internal activity - payments from other funds	(327)	4,485	-	4,158
Internal activity - payments to component units	-	-	9	9
Internal activity - payments from component units	-	271	-	271
Other receipts	51	-	250	301
Net cash provided by operating activities	<u>115</u>	<u>4,385</u>	<u>637</u>	<u>5,137</u>
Cash flows from noncapital financing activities				
Transfer from other funds	-	-	99	99
Net cash provided by noncapital financing activities	<u>-</u>	<u>-</u>	<u>99</u>	<u>99</u>
Cash flows from capital and related financing activities:				
Purchases of capital assets	(115)	-	(574)	(689)
Net cash used for capital and related financing activities	<u>(115)</u>	<u>-</u>	<u>(574)</u>	<u>(689)</u>
Net increase (decrease) in cash and cash equivalents	-	4,385	162	4,547
Cash and cash equivalents, October 1, 2014	-	1	4	5
Cash and cash equivalents, September 30, 2015	<u>\$ -</u>	<u>\$ 4,386</u>	<u>\$ 166</u>	<u>\$ 4,552</u>
Cash and cash equivalents consist of:				
Unrestricted cash and cash equivalents	\$ -	\$ 4,386	\$ 166	\$ 4,552
Total Cash and Cash Equivalents, September 30, 2015	<u>\$ -</u>	<u>\$ 4,386</u>	<u>\$ 166</u>	<u>\$ 4,552</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ (125)	\$ (1,495)	\$ 194	\$ (1,426)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	567	-	535	1,102
Change in assets and liabilities:				
Receivables, net	-	4,358	74	4,432
Inventories	-	-	16	16
Other current assets	-	-	(106)	(106)
Accounts and other payables	(327)	1,522	(76)	1,119
Net cash provided by operating activities	<u>\$ 115</u>	<u>\$ 4,385</u>	<u>\$ 637</u>	<u>\$ 5,137</u>



Budgetary Information



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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, 2015
(Dollars in Thousands)**

	Budgeted Amounts		Actual	Variance with Final Budget over/(under)
	Original	Final		
Operating revenues:				
Property rentals	\$ 508	\$ 508	\$ 530	\$ 22
Charges for services and goods	-	-	2	2
Interest income, loans	661	661	307	(354)
Other	59	59	64	5
Total operating revenues	1,228	1,228	903	(325)
Operating expenses:				
Salaries and wages	-	69	66	(3)
Other services and charges	2,205	3,901	487	(3,414)
Materials and supplies	-	20	28	8
Depreciation	-	48	49	1
Total operating expenses	2,205	4,038	630	(3,408)
Operating income (loss)	(977)	(2,810)	273	3,083
Nonoperating revenues(expenses):				
Interest income	2	2	2	-
Interest expense	(15)	(15)	(69)	(54)
Net nonoperating revenue (expenses)	(13)	(13)	(67)	(54)
Income (loss) before transfers	(990)	(2,823)	206	3,029
Other financing sources (uses):				
Transfers in	850	2,761	1,761	(1,000)
Transfers out	-	(100)	(100)	-
Change in net position	(140)	(162)	1,867	2,029
Total net position - beginning	6,495	6,495	6,495	-
Total net position - ending	\$ 6,355	\$ 6,333	8,362	\$ 2,029
Adjustment to reflect the consolidation of Internal Service Funds activities related to Enterprise Funds			(65)	
Net position of Enterprise Funds			<u>\$ 8,297</u>	



SECTION III:

Statistical



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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)**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental Activities										
Net investment in capital assets	\$ 47,627	\$ 53,781	\$ 62,021	\$ 74,152	\$ 78,468	\$ 94,667	\$ 102,104	\$ 123,091	\$ 135,395	\$ 175,662
Restricted	23,250	26,278	36,739	61,015	89,899	95,234	100,282	746,032	797,337	822,166
Unrestricted	69,039	83,373	87,255	68,411	50,110	49,656	61,251	32,510	54,656	42,231
Total governmental activities net position	139,916	163,432	186,015	203,578	218,477	239,557	263,637	901,633	987,388	1,040,059
Business-type activities										
Net investment in capital assets	4,653	162	204	253	457	514	533	483	435	386
Restricted	-	-	310	398	324	304	362	279	339	287
Unrestricted	420	1,072	2,029	2,478	3,128	4,052	4,800	5,263	5,655	7,624
Total business-type activities net position	5,073	1,234	2,543	3,129	3,909	4,870	5,695	6,025	6,429	8,297
Primary government										
Net investment in capital assets	52,280	53,943	62,225	74,405	78,925	95,181	102,637	123,574	135,830	176,048
Restricted	23,250	26,278	37,049	61,413	90,223	96,538	100,644	746,311	797,676	822,453
Unrestricted	69,459	84,445	89,284	70,889	53,238	53,708	66,051	37,773	60,311	49,855
Total primary government net position	\$ 144,989	\$ 164,666	\$ 188,558	\$ 206,707	\$ 222,386	\$ 244,427	\$ 269,332	\$ 907,658	\$ 993,817	\$ 1,048,356

2006 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)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
Governmental activities:										
Tribal Government	\$ 16,433	\$ 21,624	\$ 24,639	\$ 29,323	\$ 29,841	\$ 29,678	\$ 29,428	\$ 28,885	\$ 26,464	\$ 27,535
Health Services	87,061	92,163	103,177	179,806	206,013	224,634	244,547	256,465	266,606	300,161
Education Services	36,588	39,096	40,365	46,200	54,085	52,348	54,061	57,076	59,753	65,059
Human Services	27,307	28,962	37,003	36,231	37,932	38,588	38,575	40,432	40,917	42,996
Community Services	42,867	49,131	51,693	72,334	75,600	63,814	68,391	72,344	82,796	88,575
Other Tribal Services	12,712	15,650	15,033	-	-	-	-	-	-	-
Interest on long-term debt	1,975	3,044	1,503	1,525	1,309	1,722	1,569	1,414	1,274	1,140
Total governmental activities expenses	224,943	249,670	273,413	365,419	404,780	410,784	436,571	456,616	477,810	525,466
Business-type activities:										
Title VI Loan Fund	-	-	1,458	826	469	302	190	124	70	57
Tsa-La-Gi Apartments	390	388	394	393	387	459	473	492	488	488
Landfill Closure	1,794	2,853	2,292	-	128	154	16	-	-	-
EDTA	182	139	373	73	47	67	46	124	232	155
Other Enterprises	7	18	-	-	-	-	-	-	-	-
Total business-type activities expenses	2,373	3,398	4,517	1,292	1,031	982	725	740	790	700
Total primary government expenses	\$ 227,316	\$ 253,068	\$ 277,930	\$ 366,711	\$ 405,811	\$ 411,766	\$ 437,296	\$ 457,356	\$ 478,600	\$ 526,166
Program Revenues										
Governmental activities:										
Charges for services:										
Tribal Government	\$ 4	\$ 4	\$ -	\$ 640	\$ 4,237	\$ 4,116	\$ 4,458	\$ 4,535	\$ 4,778	\$ 4,651
Health Services	-	-	-	52,274	58,351	69,723	72,911	81,588	93,393	103,757
Community Services	-	-	1,120	4,054	994	799	714	12	8	7
Other Tribal Services	2,572	2,938	3,300	-	-	-	-	-	-	-
Operating grants and contributions	108,177	128,822	127,323	258,558	289,034	283,563	283,446	277,312	283,024	296,053
Capital grants and contributions	411	142	86	1,994	989	1,369	366	5,036	2,054	36,954
Total governmental activities program revenues	111,164	131,906	131,829	317,520	353,605	359,570	361,895	368,483	383,257	441,422
Business-type activities:										
Charges for services:										
Title VI Loan Fund	-	-	1,303	816	474	303	191	124	70	57
Tsa-La-Gi Apartments	492	498	525	519	514	508	521	511	528	533
Landfill Closure	1,216	2,044	1,126	-	128	154	-	-	-	-
EDTA	23	13	195	168	184	170	194	240	256	315
Other Enterprises	6	7	-	-	-	-	-	-	-	-
Operating grants and contributions	119	-	-	-	-	-	-	-	-	-
Total business-type activities program revenues	1,856	2,562	3,149	1,503	1,300	1,135	906	875	854	905
Total primary government program revenues	\$ 113,020	\$ 134,468	\$ 134,978	\$ 319,023	\$ 354,905	\$ 360,705	\$ 362,801	\$ 369,358	\$ 384,111	\$ 442,327
Net (Expense)/Revenue										
Governmental activities	\$ (113,779)	\$ (117,764)	\$ (141,584)	\$ (47,899)	\$ (51,175)	\$ (51,214)	\$ (74,676)	\$ (88,133)	\$ (94,553)	\$ (84,044)
Business-type activities	(517)	(836)	(1,368)	211	269	153	181	135	64	205
Total primary government net expense	\$ (114,296)	\$ (118,600)	\$ (142,952)	\$ (47,688)	\$ (50,906)	\$ (51,061)	\$ (74,495)	\$ (87,998)	\$ (94,489)	\$ (83,839)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Motor fuel tax	7,406	7,228	7,088	7,514	7,256	7,543	7,435	7,615	7,733	8,008
Motor vehicle tax	7,188	7,658	8,161	7,400	7,707	8,441	8,960	9,641	11,654	13,638
Tobacco tax	7,063	6,956	6,254	5,312	4,194	3,990	3,943	3,631	13,466	14,217
Sales tax	1,144	1,215	1,208	1,610	2,314	2,905	3,111	3,363	3,506	3,654
Grants and contributions not restricted to specific programs	78,849	76,989	100,355	10,398	11,143	13,394	11,676	12,844	12,503	12,740
Unrestricted investment earnings	5,941	7,631	5,439	2,293	2,056	1,393	1,141	864	634	531
Dividends from component units	25,444	33,669	35,001	26,444	26,429	30,074	56,806	44,109	47,392	45,448
Litigation settlement	-	-	-	-	-	-	-	-	-	1,839
Miscellaneous revenue	1,199	1,375	2,222	4,848	5,483	5,360	6,327	3,921	5,695	6,552
Equity interest in joint venture	-	-	-	-	-	-	-	-	-	-
Increase in equity in component units	-	-	-	-	-	-	-	49,740	52,251	31,749
Special Items	-	-	-	-	-	-	-	-	25,813	-
Transfers	43	(1,441)	(1,561)	(357)	(508)	(806)	(643)	(194)	(339)	(1,661)
Total governmental activities	134,277	141,280	164,167	65,462	66,074	72,294	98,756	135,534	180,308	136,715
Business-type activities:										
Unrestricted investment earnings	334	393	72	18	3	2	1	1	1	2
Miscellaneous revenue	69	81	-	-	-	-	-	-	-	-
Gain/(loss) on disposals	72	-	1,044	-	-	-	-	-	-	-
Special item	-	(4,918)	-	-	-	-	-	-	25,813	-
Transfers	(43)	1,441	1,561	357	508	806	643	194	339	1,661
Total business-type activities	432	(3,003)	2,677	375	511	808	644	195	26,153	1,663
Total primary government	\$ 134,709	\$ 138,277	\$ 166,844	\$ 65,837	\$ 66,585	\$ 73,102	\$ 99,400	\$ 135,729	\$ 206,461	\$ 138,378
Change in Net Position										
Governmental activities	\$ 20,498	\$ 23,516	\$ 22,583	\$ 17,563	\$ 14,899	\$ 21,080	\$ 24,080	\$ 47,401	\$ 85,755	\$ 52,671
Business-type activities	(85)	(3,839)	1,309	586	780	961	825	330	404	1,888
Total primary government	\$ 20,413	\$ 19,677	\$ 23,892	\$ 18,149	\$ 15,679	\$ 22,041	\$ 24,905	\$ 47,731	\$ 86,159	\$ 54,559

2006 through 2012 change in net position is not comparable to 2013 and subsequent years due to the adoption of GASB 61.

CHEROKEE NATION

GOVERNMENTAL ACTIVITIES - TAX REVENUES BY SOURCE

LAST TEN FISCAL YEARS

(Dollars in Thousands)

<u>Year</u>	<u>Motor Fuel Tax</u>	<u>Motor Vehicle Tax</u>	<u>Tobacco Tax</u>	<u>Sales Tax</u>	<u>Total</u>
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
2006	7,406	7,188	7,063	1,144	22,801

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund										
Reserved	\$ 36,282	\$ 42,220	\$ 50,241	\$ 46,895	\$ 46,973	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	36,576	38,861	34,652	21,674	14,636	-	-	-	-	-
Restricted	-	-	-	-	-	39,447	41,777	45,286	47,233	52,602
Committed	-	-	-	-	-	6,353	11,548	6,012	8,581	10,042
Assigned	-	-	-	-	-	11,327	10,731	3,645	17,252	15,274
Unassigned	-	-	-	-	-	6,234	21,874	10,298	22,056	16,330
Total general fund	<u>\$ 72,858</u>	<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>
All Other Governmental Funds										
Reserved	\$ 24,572	\$ 41,018	\$ 32,896	\$ 59,642	\$ 102,399 *	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	-	-	-	-	-	-	-	-	-	-
Capital projects fund	(524)	-	-	-	-	-	-	-	-	-
Nonspendable	-	-	-	-	-	11,793	11,734	11,704	11,763	11,895
Restricted	-	-	-	-	-	75,852	46,771	47,629	43,724	31,303
Assigned	-	-	-	-	-	9,796	16,449	19,152	11,917	9,634
Total all other governmental funds	<u>\$ 24,048</u>	<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>

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

2006 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)**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues										
Intergovernmental	\$166,252	\$178,508	\$203,570	\$255,401	\$289,094	\$285,686	\$285,150	\$284,143	\$290,204	\$300,277
Property rentals	513	575	1,750	4,225	4,432	4,136	4,255	691	956	801
Motor fuel tax revenues	7,406	7,228	7,088	7,514	7,256	7,543	7,435	7,615	7,733	8,008
Tax, license and fees	17,458	18,196	18,292	17,382	17,840	18,840	19,799	20,490	32,456	35,367
Interest	9,651	13,229	7,189	3,013	2,784	2,129	1,738	1,552	1,336	1,262
Trust fund income	104	67	190	100	101	105	127	96	21	-
Indirect cost settlement	2,201	-	-	-	-	-	-	-	-	-
Litigation settlement	-	-	-	-	-	-	-	-	-	1,839
Dividends from component units	25,444	33,669	35,001	26,444	26,429	30,074	56,806	44,109	47,392	45,448
Third party revenues	-	16,031	17,441	53,868	60,571	72,077	74,743	82,250	94,175	105,414
Income from HACN	-	-	-	5,851	1,425	1,500	1,945	-	-	-
Other	22,202	14,095	7,006	7,546	8,791	9,686	8,929	8,488	9,513	12,679
Total revenues	251,231	281,598	297,527	381,344	418,723	431,776	460,927	449,434	483,786	511,095
Expenditures										
Tribal Government	15,029	21,377	24,679	28,270	28,105	28,518	27,259	26,634	25,093	26,532
Health Services	84,528	94,478	103,009	177,697	201,773	220,201	236,307	246,947	259,612	289,789
Education Services	35,788	39,618	40,561	45,972	53,455	51,893	52,866	55,982	59,587	64,426
Human Services	26,839	29,238	37,290	36,214	37,625	38,315	37,829	39,761	40,738	42,514
Community Services	42,420	49,318	57,821	66,138	74,971	67,109	67,289	71,351	81,932	84,513
Other tribal services	11,789	15,705	14,640	-	-	-	-	-	-	-
Debt service										
Principal	3,117	10,912	2,002	5,003	2,148	3,710	3,630	3,525	3,475	3,555
Interest	1,819	2,911	908	1,498	1,251	1,699	1,567	1,435	1,301	1,168
Capital outlay	18,162	26,190	15,436	9,958	7,489	22,853	33,620	20,797	17,996	12,386
Total expenditures	239,491	289,747	296,346	370,750	406,817	434,298	460,367	466,432	489,734	524,883
Excess (deficiency) of revenues over expenditures	11,740	(8,149)	1,181	10,594	11,906	(2,522)	560	(16,998)	(5,948)	(13,788)
Other Financing Sources (Uses)										
Issuance of long-term debt	4,260	34,660	1,448	-	24,000	-	-	-	-	-
Fees associated with debt issuance	128	-	-	-	-	-	-	-	-	-
Insurance recoveries	27	8	244	273	399	122	165	37	278	102
Transfers in	17,425	20,637	15,549	9,957	21,191	8,587	18,434	19,521	10,772	6,878
Transfers out	(17,920)	(21,963)	(22,732)	(10,402)	(21,699)	(9,393)	(19,077)	(19,718)	(11,162)	(8,638)
Total other financing sources (uses)	3,920	33,342	(5,491)	(172)	23,891	(684)	(478)	(160)	(112)	(1,658)
Special Item:										
Proceeds from settlement	-	-	-	-	-	-	-	-	24,860	-
Net change in fund balances	\$ 15,660	\$ 25,193	\$ (4,310)	\$ 10,422	\$ 35,797	\$ (3,206)	\$ 82	\$ (17,158)	\$ 18,800	\$ (15,446)
Debt service as a percentage of noncapital expenditures	2.23%	5.24%	1.04%	1.80%	0.85%	1.31%	1.22%	1.11%	1.01%	0.92%

CHEROKEE NATION

GOVERNMENTAL ACTIVITIES - MOTOR VEHICLE TAX REGISTRATIONS LAST TEN FISCAL YEARS

<u>Year</u>	<u>Motor Vehicle Registrations</u>	<u>Boat/ Motor Registrations</u>	<u>Total All Registrations</u>
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
2006	19,436	570	20,006

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				Motor Vehicle		Other Tax		Unrestricted Grants & Contributions		Investment Component		Dividends from		Increase in Equity in Component			Total
	Services	Operating Grants & Contributions	Capital Grants & Contributions	Motor Fuel Tax	Motor Vehicle Tax	Other Tax Revenues	Unrestricted Grants & Contributions	Investment Earnings	Component Units	Litigation Settlement	Miscellaneous	Component Units	Gain/(loss) on Disposals	Total				
2015	\$109,320	\$ 296,053	\$ 36,954	\$ 8,008	\$ 13,638	\$ 17,871	\$ 12,740	\$ 533	\$ 45,448	\$ 1,839	\$ 6,552	\$ 31,749	\$ -	\$ 580,705				
2014	99,033	283,024	2,054	7,733	11,654	16,972	12,503	635	47,392	-	5,695	52,251	-	538,946				
2013	87,010	277,312	5,036	7,615	9,641	6,994	12,844	864	44,109	-	3,921	49,740	-	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	76,969	8,024	33,669	-	1,456	-	-	277,663				
2006	4,313	108,296	411	7,406	7,188	8,207	78,849	6,275	25,444	-	1,268	-	72	247,729				

2006 through 2012 revenue sources are not comparable to 2013 and subsequent years due to the adoption of GASB 61.

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

CHEROKEE NATION

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

<u>Fiscal Year</u>	<u>Tribal Government</u>	<u>Health Services</u>	<u>Education Services</u>	<u>Human Services</u>	<u>Community Services</u>	<u>Other Tribal Services</u>	<u>Interest on Long Term Debt</u>	<u>Tsa-La-Gi Apartments</u>	<u>Landfill Closure</u>	<u>EDTA</u>	<u>Title VI</u>	<u>Other Enterprises</u>	<u>Total</u>
2015	\$ 27,535	\$ 300,161	\$ 65,059	\$42,996	\$ 88,575	\$ -	\$ 1,140	\$ 488	\$ -	\$ 155	\$ 57	\$ -	\$ 526,166
2014	26,464	266,606	59,753	40,917	82,796	-	1,274	488	-	232	70	-	478,600
2013	28,885	256,465	57,076	40,432	72,344	-	1,414	492	-	124	124	-	457,356
2012	29,428	244,547	54,061	38,575	68,391	-	1,569	473	16	46	190	-	437,296
2011	29,678	224,634	52,348	38,588	63,814	-	1,722	459	154	67	302	-	411,766
2010	29,841	206,013	54,085	37,932	75,600	-	1,309	387	128	47	469	-	405,811
2009	29,323	179,806	46,200	36,231	72,334	-	1,525	393	-	73	826	-	366,711
2008	24,639	103,177	40,365	37,003	51,693	15,033	1,503	394	2,292	373	1,458	-	277,930
2007	21,624	92,163	39,096	28,962	49,131	15,650	3,044	388	2,853	139	-	18	253,068
2006	16,433	87,061	36,588	27,307	42,867	12,712	1,975	390	1,794	182	-	7	227,316

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				
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	209	63,174	2.04%	\$ 572
2006	-	36,258	600	3,352	295	295	40,505	1.43%	\$ 383

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			Less:		Ending	
	Fund Balance	Revenues	Expenses	Fund Balance	Principal	Interest	Coverage
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.

** Bonds were not issued in prior fiscal years, therefore, coverage can only be reported on years after bond issuance.

CHEROKEE NATION

DEMOGRAPHIC AND ECONOMIC STATISTICS LAST TEN FISCAL YEARS

Year	Population**	Personal Income*** (Dollars in Thousands)	Per Each One Personal Income****	Unemployment Rate*****
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
2006	1,108,570	2,829,313	26,782	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

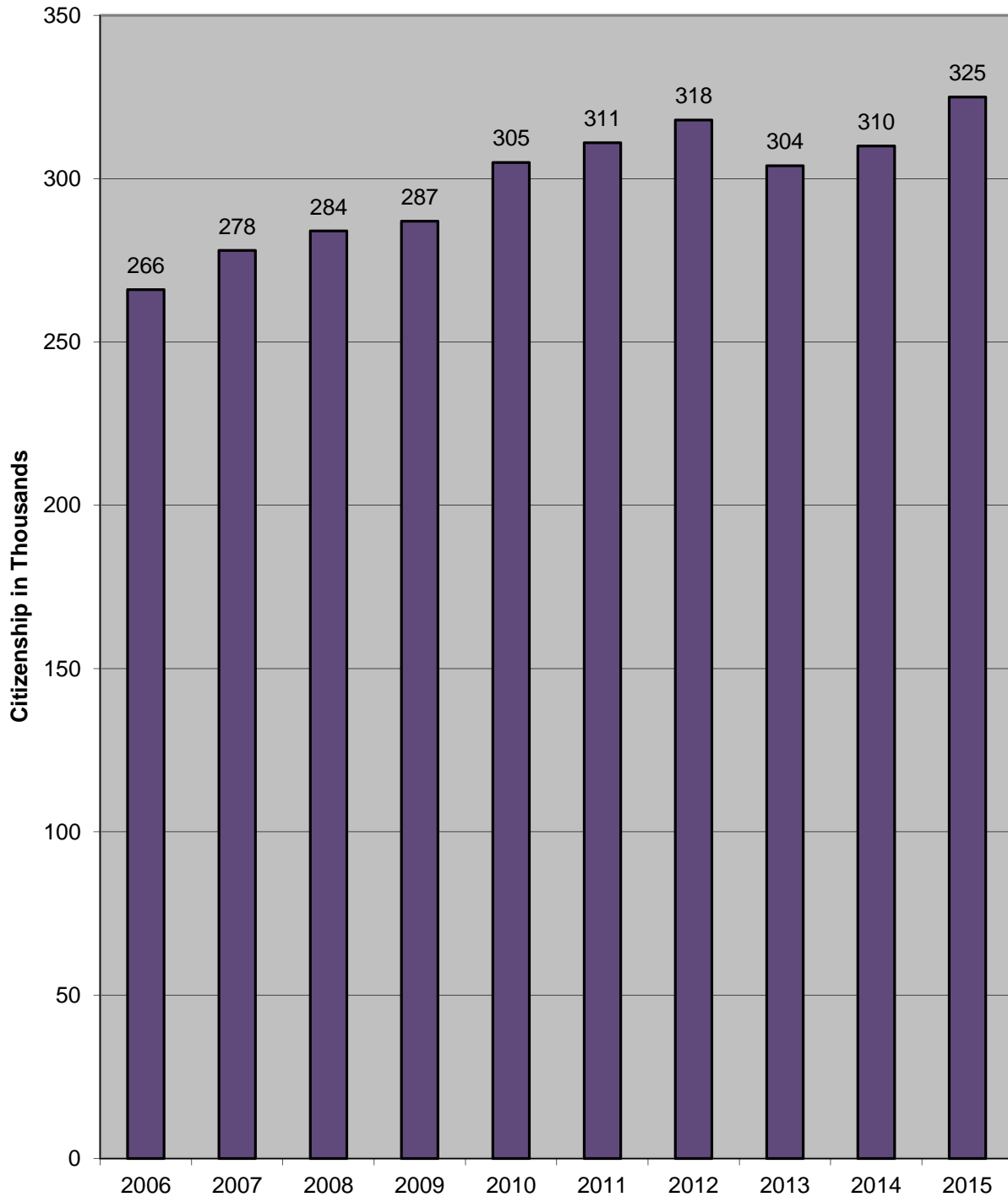
CURRENT YEAR AND NINE YEARS AGO

Employer	2006			2015		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
American Airlines & AA	9,100	1	41.03%	5,250	2	22.58%
Cherokee Nation *	1,790	3	8.07%	9,500	1	40.86%
Claremore City Schools	670	10	3.02%	750	7	3.23%
Conoco Phillips	2,400	2	10.82%	1,750	3	7.53%
Georgia Pacific Consumer Products	1,650	4	7.44%	750	8	3.23%
Grand River Dam Authority	-	-	0.00%	750	9	3.23%
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	5.38%
Owasso Indepent School Dist #1-11	945	8	4.26%	1,250	5	5.38%
Tahlequah School District	620	9	2.80%	750	10	3.23%
Whirlpool Corporation	1,600	6	7.21%	1,250	6	5.38%
	<u>22,177</u>		<u>100%</u>	<u>23,250</u>		<u>100%</u>

Source: Oklahoma Department of Commerce

*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*	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Cherokee	16,116	16,759	17,242	17,603	18,688	19,120	19,830	20,443	20,368	21,912
Craig	6,868	6,998	7,086	7,137	7,427	7,431	7,515	7,823	7,697	8,058
Delaware	12,879	13,117	10,098	10,317	10,946	11,311	11,587	12,657	12,783	13,330
Keeler	13,158	13,527	13,834	13,991	14,666	14,698	14,947	15,300	15,055	15,931
Mayes	10,605	10,922	11,113	11,231	11,843	12,069	12,284	11,987	11,367	11,754
Sequoyah	12,591	12,868	13,088	13,247	13,769	13,893	14,189	14,204	13,945	14,583
Three Rivers	15,021	15,336	15,564	15,710	16,478	16,594	16,832	8,642	9,027	8,718
Trail of Tears	11,376	11,666	12,054	12,286	12,877	13,110	13,318	12,987	13,075	13,726
Will Rogers	10,666	11,009	8,105	8,396	9,270	9,755	10,237	15,266	15,607	16,704
Other	157,181	166,089	176,229	178,051	189,011	193,271	197,088	184,895	191,474	199,946
Total Citizenship	<u>266,461</u>	<u>278,291</u>	<u>284,413</u>	<u>287,969</u>	<u>304,975</u>	<u>311,252</u>	<u>317,827</u>	<u>304,204</u>	<u>310,398</u>	<u>324,662</u>

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 AS OF SEPTEMBER 30, 2015

County	Tribal Land	Government Land	Restricted Individual	Total Acres
<u>Cherokee Nation:</u>				
Oklahoma:				
Adair	14,802	19	10,271	25,091
Cherokee	2,178	97	9,439	11,715
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>66,752</u>	<u>186</u>	<u>45,619</u>	<u>112,557</u>

Source: Cherokee Nation Real Estate Services

CHEROKEE NATION

PRIMARY GOVERNMENT EMPLOYEES BY FUNCTION

LAST TEN FISCAL YEARS

Regular full-time employees only

Function:	<u>2006</u>	<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>
Tribal Government	230	238	259	528	466	481	472	489	509	576
Health Services	639	640	726	924	1,039	1,112	1,198	1,270	1,315	1,392
Education Services	391	387	408	427	474	460	444	442	444	433
Human Services	249	276	291	304	313	322	328	328	335	339
Community Services	182	163	329	362	441	432	428	296	304	297
Other Tribal Services	226	243	241	-	-	-	-	-	-	-
Total	<u>1,917</u>	<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>

Source: Financial Resources Department

CHEROKEE NATION

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

Function/Program	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Health Services										
Primary provider visits*	121,650	119,358	124,824	268,238	301,824	330,050	330,934	345,719	358,759	381,953
Dental patient visits	21,436	23,050	21,543	37,786	43,914	30,806	55,402	61,274	68,637	74,604
Behavioral health patient visits	9,969	10,322	11,284	16,222	8,969	7,812	13,462	11,428	13,683	11,254
Optometry patient visits	14,259	14,548	15,808	23,031	17,781	25,250	25,561	25,467	41,420	30,695
Pharmacy patient visits	70,937	74,976	79,487	119,075	247,299	307,394	379,191	435,855	484,595	480,390
Other visits**	80,133	76,259	71,820	124,490	122,922	137,255	157,386	195,283	123,144	108,127
Pharmacy prescription filled	474,299	500,675	501,601	672,905	1,086,505	1,461,526	1,678,692	1,828,359	1,927,395	1,961,582
Number of new charts	7,074	6,659	7,615	11,605	10,103	9,796	10,555	10,988	11,622	10,523
Total number of charts	159,128	168,467	179,416	342,148 ***	356,142	370,794	388,763	406,898	424,470	439,574
*Primary provider visits include physician, physician's assistant, nurse practitioner										
** Other visits include: PHN, WIC, education, dietary, laboratory services										
*** 2009 included CN WW Hastings Hospital acquisition										
Education Services										
Higher Education applications received	2,569	2,193	2,304	2,512	2,980	3,158	3,828	3,287	3,846	4,272
Higher Education applications funded	2,164	2,095	2,108	2,141	2,768	3,033	2,447	3,065	3,430	3,805
Head Start students	317	838	355	328	384	344	324	305	145	182
Immersion Class students	25	42	30	49	47	56	100	105	117	104
Sequoyah High School students	400	381	383	394	395	342	284	379	375	366
Human Services										
Child Care children served through subsidy	3,708	3,649	3,854	4,537	3,333	3,724	3,230	3,040	3,150	2,430
Child Care contracted providers	915	801	729	636	725	614	622	546	404	529
Child Care technical assistance calls and visits	1,358	2,178	3,053	5,614	3,961	2,886	1,967	1,965	1,799	1,001
Child Care monitoring visits to caregivers	1,236	1,124	1,124	957	1,031	1,020	1,038	1,001	1,000	982
Food Distribution - individuals served	111,139	105,768	114,305	130,253	121,788	104,926	110,394	109,579	127,757	133,190
Food Distribution - households served	44,863	43,237	46,049	51,716	49,640	52,087	47,582	47,428	55,414	59,339
Tribal Work Experience program participants	192	13	-	-	-	-	-	-	-	-
Elder Service Advocacy individuals served	1,353	1,431	1,064	642	640	572	252	279	329	703
Community Services										
Roads/bridges project miles completed	101.72	66.12	128.7	58.22	133.15	50.95	72.82	51.49	68.84	71.77
Families served through rental assistance	3,695	2,927	2,578	1,546	1,549	1,366	1,929	2,189	1,880	2,673
Families subsidized in Title VI units	345	-	305	295	274	274	268	238	240	234
Rehabilitation of privately owned homes	119	305	565	209	315	346	379	609	629	610
Acquired or constructed individual homes for low-income families	31	1	13	12	14	9	40	38	29	158
Businesses funded through Commerce programs	6	7	12	21	28	53	20	28	18	24
Participants enrollments in IDA/YIDA	28	42	24	30	104	131	130	146	210	453

Source: Departments/programs as listed

CHEROKEE NATION

CAPITAL ASSET UTILIZATION BY FUNCTION

PRIMARY GOVERNMENT

LAST TEN FISCAL YEARS

(Net of Depreciation, Dollars in Thousands)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities:										
Tribal Government	\$ 2,969	\$ 2,424	\$ 3,013	\$41,269	\$ 40,956	\$ 42,732	\$ 43,950	\$ 49,706	\$ 52,295	\$ 52,873
Health Services	12,883	33,898	41,238	45,261	46,134	60,260	84,086	88,522	95,747	131,097
Education Services	8,246	8,885	9,479	9,622	9,968	10,323	10,124	10,067	9,698	9,302
Human Services	242	396	571	902	1,173	1,111	1,502	6,205	6,152	5,891
Community Services	1,384	2,189	3,264	2,715	3,336	5,137	6,947	4,555	4,288	5,192
Other Tribal Services	30,719	32,502	37,251	-	-	-	-	-	-	-
Governmental activities, net	<u>\$56,443</u>	<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>
Business-type activities:										
Enterprise Funds	\$ 6,761	\$ 900	\$ 599	\$ 548	\$ 645	\$ 588	\$ 533	\$ 483	\$ 435	\$ 386
Business-type activities, net	<u>\$ 6,761</u>	<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>

CHEROKEE NATION

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

District*	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Cherokee	4,097	4,079	4,357	4,421	4,622	4,681	4,882	5,025	4,733	4,248
Craig	1,342	1,296	1,334	1,361	1,378	1,341	1,325	1,341	1,314	1,312
Delaware	2,311	2,315	2,302	2,310	2,336	2,372	2,524	2,689	2,558	2,483
Keeler	1,862	1,785	1,801	1,916	1,871	1,856	2,271	2,993	5,468	5,677
Mayes	2,020	2,062	2,152	2,126	2,199	2,321	2,387	2,411	2,456	2,489
Sequoyah	2,067	2,031	2,124	2,101	2,109	2,158	2,540	2,534	2,518	2,475
Three Rivers	2,468	2,569	2,680	2,713	2,851	2,936	2,850	2,948	4,007	3,797
Trail of Tears	2,151	2,261	2,260	2,403	2,504	2,466	2,337	2,576	2,614	2,492
Will Rogers	2,368	2,324	2,246	2,303	2,598	2,574	2,760	2,812	2,814	2,835
Total Cherokee Students	<u>20,686</u>	<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>

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