

CHEROKEE NATION

Tahlequah, Oklahoma



COMPREHENSIVE ANNUAL FINANCIAL REPORT

**YEAR ENDED
SEPTEMBER 30, 2011**



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CHEROKEE NATION®
Tahlequah, Oklahoma



Comprehensive Annual Financial Report

Year Ending September 30, 2011

Prepared by Financial Resources Department

CHEROKEE NATION
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

TABLE OF CONTENTS

I. INTRODUCTORY SECTION

TRANSMITTAL LETTER.....	1
TRIBAL OFFICIALS.....	6
ORGANIZATIONAL STRUCTURE CHART.....	7
CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING.....	8

II. FINANCIAL SECTION

INDEPENDENT ACCOUNTANTS' REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION.....	9
MANAGEMENT'S DISCUSSION & ANALYSIS.....	11

A. BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS	
STATEMENT OF NET ASSETS.....	23
STATEMENT OF ACTIVITIES.....	24
FUND FINANCIAL STATEMENTS	
BALANCE SHEET - GOVERNMENTAL FUNDS.....	25
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS.....	26
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES.....	27
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (GAAP BASIS) - GENERAL FUND.....	28
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS.....	29
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS.....	30
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS.....	31
COMBINING STATEMENT OF NET ASSETS - COMPONENT UNITS.....	32
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - COMPONENT UNITS.....	33
RECAST OF THE COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - COMPONENT UNITS TO THE STATEMENT OF ACTIVITIES.....	34
NOTES TO BASIC FINANCIAL STATEMENTS.....	35

TABLE OF CONTENTS (CONTINUED)

B. OTHER SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS..... 83

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS..... 84

NONMAJOR ENTERPRISE FUNDS

COMBINING STATEMENT OF NET ASSETS - NONMAJOR ENTERPRISE FUNDS..... 85

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND
NET ASSETS - NONMAJOR ENTERPRISE FUNDS..... 86

COMBINING STATEMENT OF CASH FLOWS - NONMAJOR ENTERPRISE FUNDS..... 87

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF NET ASSETS - INTERNAL SERVICE FUNDS..... 88

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND
NET ASSETS - INTERNAL SERVICE FUNDS..... 89

COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS..... 90

COMPONENT UNITS

COMBINING STATEMENT OF NET ASSETS - CHEROKEE NATION BUSINESSES, LLC..... 91

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET ASSETS (DEFICIT) - CHEROKEE NATION BUSINESSES, LLC..... 92

BUDGETARY INFORMATION

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -
BUDGET AND ACTUAL (GAAP BASIS) - ENTERPRISE FUNDS..... 93

III. STATISTICAL SECTION

SCHEDULE OF NET ASSETS BY COMPONENT..... 94

CHANGES IN NET ASSETS..... 95

GOVERNMENTAL ACTIVITIES - TAX REVENUES BY SOURCE..... 96

FUND BALANCES, GOVERNMENTAL FUNDS..... 97

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS..... 98

GOVERNMENTAL ACTIVITIES - MOTOR VEHICLE TAX REGISTRATIONS..... 99

GENERAL GOVERNMENTAL REVENUES BY SOURCE (GAAP BASIS)..... 100

GENERAL GOVERNMENTAL EXPENSES BY FUNCTION (GAAP BASIS)..... 101

OUTSTANDING DEBT BY TYPE..... 102

PLEGGED-REVENUE COVERAGE..... 103

DEMOGRAPHIC AND ECONOMIC STATISTICS..... 104

PRINCIPAL EMPLOYERS..... 105

TRIBAL CITIZENSHIP GROWTH..... 106

TRIBAL CITIZENSHIP BY DISTRICT..... 107


TRIBAL LAND BASE (ACRES) BY COUNTY..... 108

PRIMARY GOVERNMENT EMPLOYEES BY FUNCTION..... 109

OPERATING INDICATORS BY FUNCTION..... 110

CAPITAL ASSET UTILIZATION BY FUNCTION, PRIMARY GOVERNMENT..... 111

CHEROKEE STUDENTS BY DISTRICT..... 112



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SECTION I

INTRODUCTION



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

Office of the Chief

Bill John Baker
Principal Chief
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S. Joe Crittenden
Deputy Principal Chief
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March 30, 2012

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

We, the Cherokee Nation Financial Resources Department (Financial Resources), are pleased to submit the Comprehensive Annual Financial Report of the Cherokee Nation (the Nation) for the fiscal year ended September 30, 2011. Accountability for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Nation. Financial Resources believes the data presented is accurate in all material aspects, and fairly presents the financial position and results of operations for the year ended September 30, 2011. Financial Resources was under the direction of the former Treasurer, Ms. Callie Catcher, until December 12, 2011.

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

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

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

Organization of the Government

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

The Cherokee Nation has a tripartite form of government designed after the original democratic form of government of the Iroquois that was adopted by the United States. The Cherokee Constitution was amended by the Constitutional Convention in 1999 and ratified by a vote of the Cherokee citizens in 2003. This Constitution defines the distribution and separation of powers among the three branches of government. The three branches and their respective powers include the following:

Executive Branch

The executive power is vested in the Principal Chief, currently Bill John Baker effective October 19, 2011. Chad Smith was the Principal Chief from August 14, 1999 through August 13, 2011, and Deputy Chief S. Joe Crittenden served as Acting Principal Chief from August 14, 2011 through October 19, 2011. The Principal Chief is responsible for the execution of the laws of the Cherokee Nation, establishment of tribal policy and delegation of authority, as is necessary for the administrative functions of the Cherokee Nation. The Principal Chief maintains an office at the W. W. Keeler Tribal Complex in Tahlequah (Cherokee County), Oklahoma. The Deputy Chief 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 Secretary of State, the Treasurer and the Secretary of Natural Resources. The Secretary of State, currently Charles L. Head effective January 17, 2012, is responsible for a variety of governmental functions including but not limited to the certification of petitions, referring amendments of the constitution to the people, and receipt of petitions, orders for initiatives, and oaths of office. The Treasurer, currently Lacey A. Horn effective December 12, 2011, provides oversight and direction for the Nation on all financial matters, including annual budgets, investment of funds, and financial reporting in conformance with Generally Accepted Accounting Principles (GAAP). The Secretary of Natural Resources, currently vacant, 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 effective January 26, 2012, 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 the Council may prescribe by law. The Marshal, currently Shannon Buhl effective December 12, 2011, 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 (formerly Group Leaders) 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, Housing Services and Human Services. Resource departments provide support for the Nation's service departments, as follows: Human Resources, Government Resources, Information Systems, Management Resources and Financial 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 five districts of the Cherokee Nation and two at-large members who represent citizens living outside the jurisdictional area. The Council elects a Speaker, currently Tina Glory-Jordan and a Deputy Speaker, currently Chuck Hoskin, Jr. effective February 24, 2012. Meredith Frailey served as Speaker, and Cara Cowan Watts served as Deputy Speaker until February 23, 2012. 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 Darell R. Matlock, Jr. 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. 39 and, based on that criterion, has included the following entities as component units within the Nation's basic financial statements.

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

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 generally accepted accounting principles. Management of the Nation is also responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Nation are protected from loss, theft or misuse. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management. To our knowledge, 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, 2011, are 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 assets. Cherokee Nation limits uses of funds to the availability of the sources of revenues.

Should the need arise for management to transfer funds or propose additional appropriations, the Executive and Finance Committee of the 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 reports; therefore, no reconciliation is necessary.

Long-Term Financial Planning

Since fiscal year 2002, the Cherokee Nation primary government has increased its total assets by approximately \$330,146,000 or 243%. 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: "From One Fire to a Proud Future." This planning process encompasses the annual financial budget process as well as long-term forecasting for use of the Nation's resources. Additionally, with the change in administration, new ideas and efficiencies are 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 is working to establish a productive economy for the citizens of the Nation. In addition to the expansion of component units, the Nation has been successful in partnering with local governments and outside entities to attract new industries and create jobs within the Nation's jurisdiction. Currently, the Nation plans to develop greater opportunities for its non-gaming businesses.

Use of the Report

This report will be submitted to the Federal Clearing House and the National Business Center 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 consistent with the administration 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 are expected to have a significant effect on the Nation's financial position or results of operations.

Certificate of Achievement

The Government Finance Officers Association (GFOA) of the United States and Canada 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, 2010. This was the tenth 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 generally accepted accounting principles 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 2011 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 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,
on behalf of the Cherokee Nation Financial Resources Department,



Lacey A. Horn
Treasurer, effective December 12, 2011

Cherokee Nation Tribal Officials

EXECUTIVE BRANCH

Bill John Baker
Principal Chief

S. Joe Crittenden
Deputy Principal Chief

LEGISLATIVE BRANCH

Tina Glory-Jordan
Speaker
District 1

Chuck Hoskin, Jr.
Deputy Speaker
District 4

Joe Byrd
District 1

David Walkingstick
District 1

Frankie Hargis
District 2

Jody Fishinghawk
District 2

Curtis Snell
District 2

David Thornton, Sr.
District 3

Janelle Fullbright
District 3

Don Garvin
District 3

Meredith Frailey
District 4

Dick Lay
District 4

Buel Anglen
District 5

Cara Cowan Watts
District 5

Lee Keener
District 5

Jack D. Baker
At Large

Julia Coates
At Large

JUDICIAL BRANCH

Supreme Court

Darell R. Matlock, Jr.
Chief Justice

Darrell R. Dowty
Justice

James G. Wilcoxon
Justice

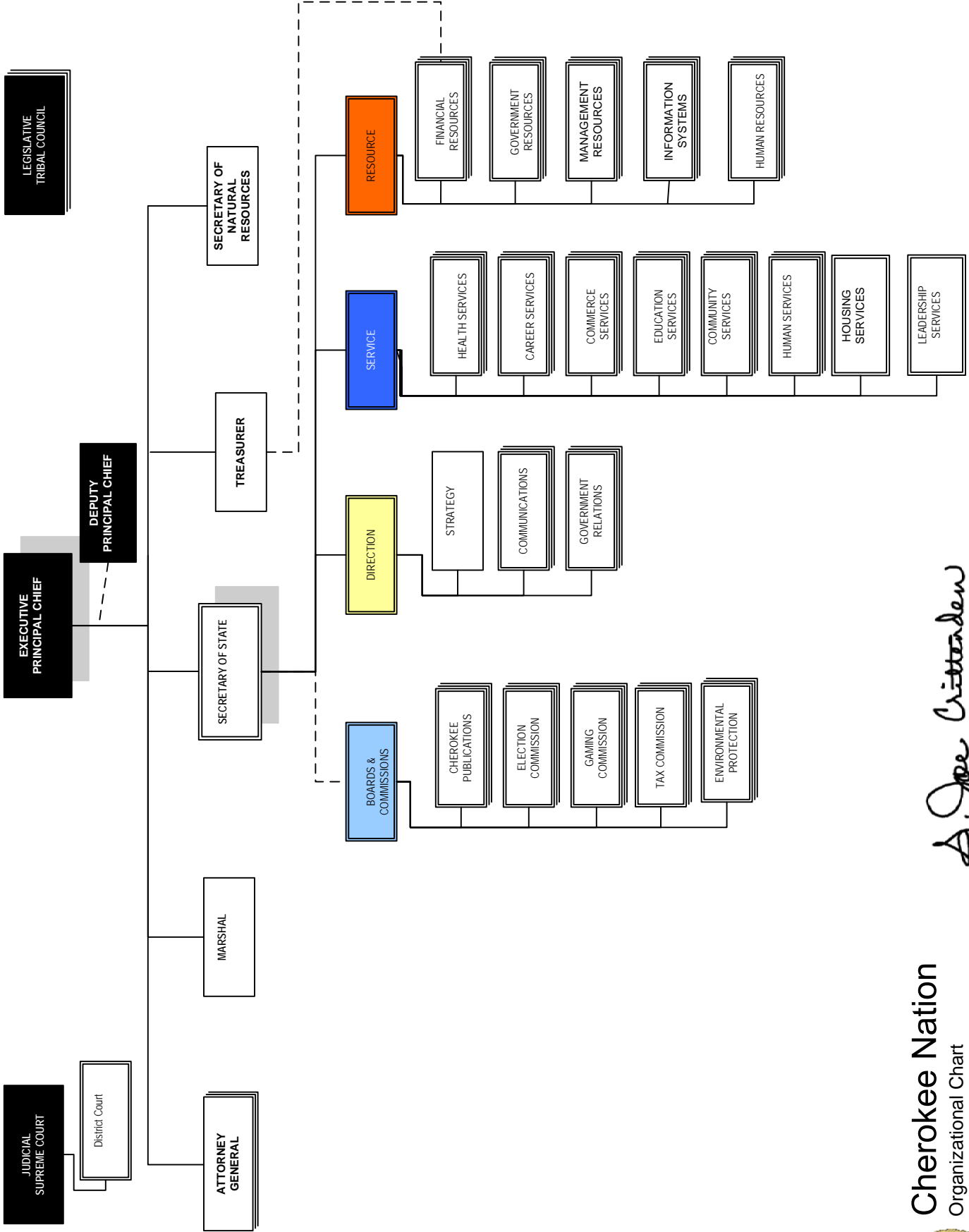
Kyle B. Haskins
Justice

Troy Wayne Poteete
Justice

District Court

John Cripps
Judge

Bart Fite
Judge



Cherokee Nation
 Organizational Chart
 September 30, 2011

A. Joe Citterden

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, 2010

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



Linda C. Dandison

President

Jeffrey R. Emer

Executive Director



DhW Dō∞ O'S∞
Watercress

Watercress has been used by Cherokee for generations as both food and medicine.

SECTION II

FINANCIAL

Independent Accountants' Report on Financial Statements and Supplementary Information

Principal Chief and Tribal Council
Cherokee Nation
Tahlequah, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the Cherokee Nation (the Nation) as of and for the year ended September 30, 2011, which collectively comprise the Nation's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Nation's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Housing Authority of the Cherokee Nation (HACN), the Cherokee Nation Comprehensive Care Agency (CNCCA), the Cherokee Nation Foundation (CNF), the Cherokee Nation Historical Society (CNHS) or Cherokee Nation Waste Management, LLC (CNWM), which are discretely presented component units of the Nation. The financial statements of HACN, CNCCA, CNF, CNHS and CNWM, which collectively comprise 19% of total assets and 2% of total operating revenues of the aggregate discretely presented component units, were audited by other accountants whose reports have been furnished to us and our opinion, insofar as it relates to the amounts included for HACN, CNCCA, CNF, CNHS and CNWM, is based solely on the reports of the other accountants.

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

In our opinion, based on our audit and the reports of other accountants, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the Cherokee Nation as of September 30, 2011, and the respective changes in financial position and cash flows, where applicable thereof, and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in *Note 1*, in 2011, the Nation changed its method of accounting for fund balances under Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, by retroactively restating prior years' financial statements.

Principal Chief and Tribal Council
Cherokee Nation

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2012, on our consideration of the Nation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Nation's basic financial statements. The accompanying supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us and the other accountants in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of the other accountants, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

BKD, LLP

March 30, 2012

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, 2011. 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.

As mentioned in the letter of transmittal, the Nation had a change in administration in October of 2011. Principal Chief Bill John Baker was sworn into office on October 19, 2011. As with any change in leadership, the Nation is undergoing reviews of the policies and procedures of the Tribe in an effort to gain efficiencies in operations. The effect of this review on the economic factors is not known at this time.

Financial Highlights

The Nation's assets exceeded its liabilities at the end of fiscal year 2011 by \$244 million (net assets). Of this total amount, \$52 million are unrestricted net assets that may be used to meet the government's ongoing obligations.

The Nation's overall liabilities at the end of fiscal year 2011 decreased by approximately \$22 million to \$221 million.

The net assets increased by \$22 million, which is largely attributable to unspent program income in Self Governance Department of Health and Human Services (DHHS).

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 management focus. The government-wide financial statements include the Statement of Net Assets and the Statement of Activities.

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

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

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

Governmental Activities 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.

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 related companies
Housing Authority of the Cherokee Nation (HACN)
Cherokee Nation Comprehensive Care Agency (CNCCA)
Cherokee Nation Home Health Services, Inc. (CNHHS)
Cherokee Nation Waste Management, LLC (CNWM)
Cherokee Nation Foundation (CNF)
Cherokee National Historical Society, Inc. (CNHS)

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

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

Fund Financial Statements

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

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

resources to meet the current needs of the Nation. 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 Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on pages 25 and 27 of the financial statements.

The Nation maintains six major governmental funds, each presented in a separate column in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances. The Nation's six major governmental funds are the General, Self Governance Department of Interior (DOI) Roads, Department of Transportation (DOT), Self Governance Department of Health and Human Services (DHHS), Housing and Urban Development (HUD) and Capital Projects Fund. In addition, the Nation maintains fourteen nonmajor funds, including a debt service fund and two permanent funds to account for other governmental activity. The governmental fund statements can be found on pages 25 and 26 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 29 - 31 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 85 - 87 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 are 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, and acquisition management, to other funds of the Nation.

The internal service funds combining financial statements can be found on pages 88 - 90 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 component units in a single column. The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets present detail for each of the seven discretely presented component units.

The financial statements for component units can be found on pages 32 - 34 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 35 - 82 of this report.

Supplementary Information

The basic financial statements are followed by a section of supplementary information. This section of the report includes combining schedules for nonmajor governmental and enterprise funds, internal service funds, one of the Nation's component units and a budgetary comparison schedule for the Nation's enterprise funds. The supplementary information section begins on page 83.

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 94.

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>2011</u>	<u>2010</u>	<u>Increase/ (Decrease)</u>	<u>Percentage Increase/ (Decrease)</u>
General Fund				
Revenues and transfers in	\$ 66,475	\$ 60,476	\$ 5,999	9.9 %
Expenditures and transfers out	64,723	67,436	(2,713)	(4.0)%
Self Governance DOI Roads				
Revenues and transfers in	2,948	2,628	320	12.2 %
Expenditures and transfers out	2,948	2,628	320	12.2 %
Department of Transportation				
Revenues and transfers in	6,158	5,809	349	6.0 %
Expenditures and transfers out	6,126	5,765	361	6.3 %
Self Governance DHHS				
Revenues and transfers in	211,620	200,767	10,853	5.4 %
Expenditures and transfers out	209,859	196,519	13,340	6.8 %
Housing and Urban Development				
Revenues and transfers in	39,887	44,351	(4,464)	(10.1)%
Expenditures and transfers out	36,876	44,232	(7,356)	(16.6)%
Capital Projects Fund				
Revenues and transfers in	3,363	38,962	(35,599)	(91.4)%
Expenditures and transfers out	11,740	1,344	10,396	773.5 %
Title VI Loan Fund				
Revenues and transfers in	303	474	(171)	(36.1)%
Expenses and transfers out	302	469	(167)	(35.6)%

General Fund revenues are up primarily due to increased collections of motor vehicle registration tax and sales tax for the Tax Commission, contributions and donations from trusts and an increase in the dividend reported for FY 11.

General Fund expenditures decreased in fiscal year 2011 as compared to fiscal year 2010 primarily as a result of reduced spending for the following projects/programs: Get Out the Vote, Strategy, Meth Reduction, Johnson O'Malley Special Projects, Capital Improvements, Water and Sewer Facilities, Community Work and Building Projects and reduced operating costs relating to CNHS.

Self Governance DOI Roads experienced a slight increase in both the revenues and transfers in and expenditures and transfers out due to an increase in the number of roads being in the major construction phase and a smaller number of roads being in the planning and design phases as compared to the previous year.

Department of Transportation saw both the revenues and transfers in and expenditures and transfers out increased primarily due to the completion of projects with Oklahoma DOT and other bridge and road projects. The increases were offset by a decrease in the use of the American Recovery and Reinvestment Act of 2009 (ARRA) funding to plan, design and construct roads and bridges.

Self Governance DHHS revenues and transfers in increased in fiscal year 2011 due to serving more patients through expanded services. Self Governance DHHS expenditures and transfers out increased in fiscal year 2011 as a result of expanded services, equipment upgrades and additions, construction projects and ARRA funding for water and sewer line construction.

Housing and Urban Development saw revenues and transfers in decrease in the HUD programs primarily due to receipt of ARRA funding for the Native American Housing Assistance and Self-Determination Act of 1996 (NAHASDA) in fiscal year 2010. HUD expenditures and transfers out decreased from fiscal year 2010 as a result of the completion of ARRA funding for projects related to NAHASDA programs. The ARRA funds were used primarily for modernization and rehabilitation of homes for Cherokee citizens and other qualified home owners.

Capital Projects Fund revenues and transfers in decreased due to fewer transfers in for the Vinita Clinic and Salina Dental Construction projects as well as the new debt issuance recorded in fiscal year 2010. The Capital Projects fund expenditures and transfers out increased due to several health construction projects, including the Vinita Clinic, Salina Dental, Hastings Warehouse and Hastings Physical Therapy Building Expansion. The construction projects are being funded through internal sources and a new debt issuance of \$24 million.

Title VI Loan Fund revenues and transfers in decreased in fiscal year 2011 as compared to fiscal year 2010 due to decreased interest received on lower notes receivable balances. Title VI loan fund expenses and transfers out decreased as a result of lower balances outstanding on the notes payable, as well as lower interest rates on the variable portion of the loan.

Government-Wide Financial Analysis

Net Assets

As stated earlier, the government-wide financial statements are presented to give a broad overview of the government as a whole. Total assets for the Nation's governmental activities at fiscal year ended September 30, 2011 were \$443 million. Of the \$443 million, \$119 million was related to investment in capital assets such as land, buildings, and equipment. Other assets, primarily cash, investments, and receivables, represent funds available to meet both current and future obligations of the Nation.

Total liabilities of the Nation's governmental activities at September 30, 2011 were \$203 million. Of this amount, approximately \$44 million related to long-term obligations primarily for the bonds issued to construct two health clinics and expand a third health clinic as well as a loan to build an additional health clinic. Other liabilities represented accounts payable, deferred grant revenue, and other obligations generally due within one year of the financial statement date.

The assets of the Nation's governmental activities exceeded liabilities at September 30, 2011 by \$240 million, which is stated as net assets.

The Nation's business-type activities had total assets of \$23 million at September 30, 2011. Of the \$23 million, \$1 million was related to investment in capital assets such as land, buildings and equipment. The liabilities related to the business-type activities at fiscal year end were \$18 million. The majority of this amount was related to long-term obligations primarily for the Title VI guaranteed loan program used to provide affordable housing to Tribal citizens and economic development trust authority loans for small business development, and the Landfill. Other liabilities represented accounts payable and other obligations generally due within one year of the financial statement date. The assets of the Nation's business-type activities exceeded liabilities at September 30, 2011 by \$5 million, which is stated as net assets. The following table presents the Nation's net assets for the primary government (dollars in thousands):

Cherokee Nation's Net Assets

	Governmental		Business-Type		Total		Increase/ (Decrease)
	Activities		Activities				
	2011	2010	2011	2010	2011	2010	
Current and other assets	\$ 323,322	\$ 338,811	\$ 22,323	\$ 24,030	\$ 345,645	\$ 362,841	\$ (17,196)
Capital assets	<u>119,563</u>	<u>101,567</u>	<u>588</u>	<u>645</u>	<u>120,151</u>	<u>102,212</u>	<u>17,939</u>
Total assets	<u>442,885</u>	<u>440,378</u>	<u>22,911</u>	<u>24,675</u>	<u>465,796</u>	<u>465,053</u>	<u>743</u>
Long-term debt outstanding	43,843	48,105	15,301	18,169	59,144	66,274	(7,130)
Other liabilities	<u>159,485</u>	<u>173,796</u>	<u>2,740</u>	<u>2,597</u>	<u>162,225</u>	<u>176,393</u>	<u>(14,168)</u>
Total liabilities	<u>203,328</u>	<u>221,901</u>	<u>18,041</u>	<u>20,766</u>	<u>221,369</u>	<u>242,667</u>	<u>(21,298)</u>
Net assets invested in capital assets, net of related debt	94,667	78,468	514	457	95,181	78,925	16,256
Restricted	95,234	89,899	304	324	95,538	90,223	5,315
Unrestricted	<u>49,656</u>	<u>50,110</u>	<u>4,052</u>	<u>3,128</u>	<u>53,708</u>	<u>53,238</u>	<u>470</u>
Total net assets	<u>\$ 239,557</u>	<u>\$ 218,477</u>	<u>\$ 4,870</u>	<u>\$ 3,909</u>	<u>\$ 244,427</u>	<u>\$ 222,386</u>	<u>\$ 22,041</u>

\$95 million of the net assets balance represents investment in capital assets, net of related debt. Restricted net assets represent external restrictions placed upon assets of the Nation. The largest category of restricted net assets is related to net assets restricted for specific program purposes. Of the total net assets, \$54 million is reported as unrestricted net assets. The unrestricted net assets represent amounts available for future services for the Nation's citizens, obligations, and creditors.

At September 30, 2011, the Nation reported positive net assets for the government as a whole, as well as for its separate governmental and business-type activities.

Changes in Net Assets

The Nation's total net assets increased by \$22 million, or 10%, during the year. Total revenues for fiscal year ended September 30, 2011 were \$434 million. Total expenses of the Nation were \$412 million, which cover a variety of services. Approximately 55% of the total expenses were for health care for Tribal citizens. In total, governmental-type revenues exceeded expenses by \$21 million, resulting in an increase in net assets. Net revenues for business-type activities exceeded expenses by \$1 million, resulting in an increase in net assets. The changes in net assets during 2011 are as follows (dollars in thousands):

Cherokee Nation's Changes in Net Assets

	Governmental		Business-Type		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 74,638	\$ 63,582	\$ 1,135	\$ 1,300	\$ 75,773	\$ 64,882
Operating grants/contributions	283,563	289,034	-	-	283,563	289,034
Capital grants/contributions	1,369	989	-	-	1,369	989
General revenues:						
Motor fuel tax	7,543	7,256	-	-	7,543	7,256
Motor vehicle tax	8,441	7,707	-	-	8,441	7,707
Tobacco tax and fees	3,990	4,194	-	-	3,990	4,194
Sales tax	2,905	2,314	-	-	2,905	2,314
Grants and contributions not restricted to specific programs	13,394	11,143	-	-	13,394	11,143
Unrestricted investment earnings	1,393	2,056	2	3	1,395	2,059
Dividends from Component Units	30,074	26,429	-	-	30,074	26,429
Miscellaneous	5,360	5,483	-	-	5,360	5,483
Total revenues	<u>432,670</u>	<u>420,187</u>	<u>1,137</u>	<u>1,303</u>	<u>433,807</u>	<u>421,490</u>
Expenses:						
Tribal government	29,678	29,841	-	-	29,678	29,841
Health services	224,634	206,013	-	-	224,634	206,013
Education services	52,348	54,085	-	-	52,348	54,085
Human services	38,588	37,932	-	-	38,588	37,932
Community services	63,814	75,600	-	-	63,814	75,600
Interest on long-term debt	1,722	1,309	-	-	1,722	1,309
Total governmental expenses	<u>410,784</u>	<u>404,780</u>	<u>-</u>	<u>-</u>	<u>410,784</u>	<u>404,780</u>
Title VI Loan Fund	-	-	302	469	302	469
Tsa-La-Gi Apartments	-	-	459	387	459	387
Landfill Closure	-	-	154	128	154	128
EDTA	-	-	67	47	67	47
Total business-type expenses	<u>-</u>	<u>-</u>	<u>982</u>	<u>1,031</u>	<u>982</u>	<u>1,031</u>
Increase in net assets before transfers	21,886	15,407	155	272	22,041	15,679
Transfers	(806)	(508)	806	508	-	-
Change in net assets	21,080	14,899	961	780	22,041	15,679
Net assets—Beginning of year	218,477	203,578	3,909	3,129	222,386	206,707
Net assets—End of year	<u>\$ 239,557</u>	<u>\$ 218,477</u>	<u>\$ 4,870</u>	<u>\$ 3,909</u>	<u>\$ 244,427</u>	<u>\$ 222,386</u>

As indicated earlier in this report, the increase in net assets in 2011 is largely attributable to unspent program income in SG DHHS. The more significant increases in expenses in fiscal year 2011 as compared to fiscal year 2010 are as follows:

Health services increased funding for contract health, clinic and hospital expenditures, new initiatives such as the Pharmacy Refill Center and Strengthening Public Health programs, and anti-drug and anti-tobacco programs.

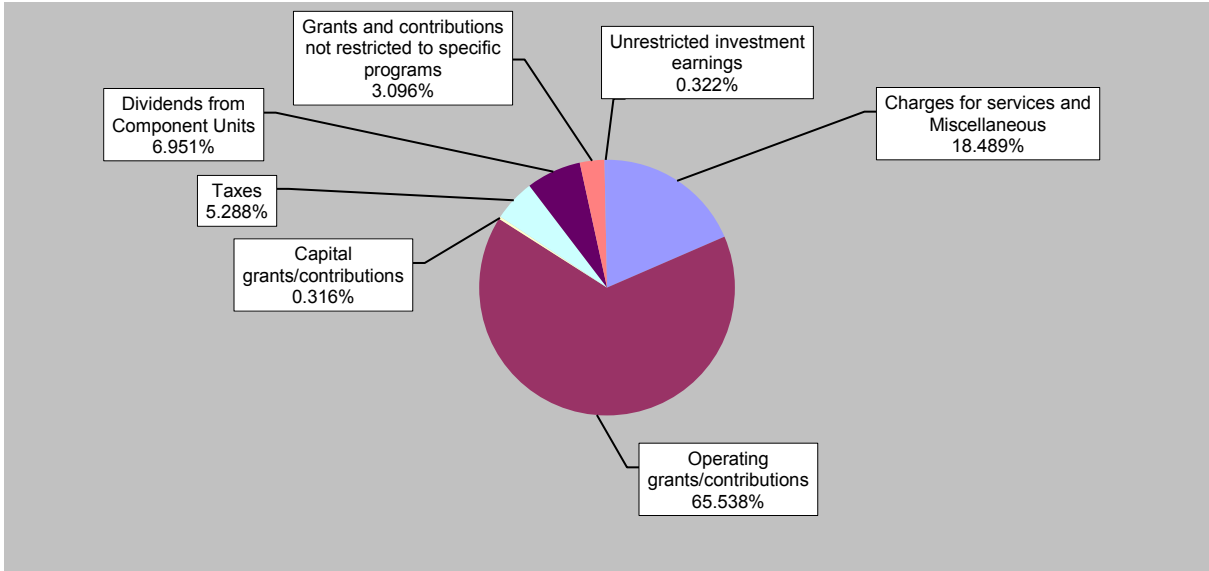
Human services increased because of increased client support amounts expended for Food Distribution, Family Preservation Support, Citizens Corp CITGO Assistance and PL102-477 Child Care offset by decreased expenditures for the Economic Stimulus Child Care program.

Overall, the Nation had \$18.1 million of expenditures related to one time ARRA funding. The funding positively impacted many areas of Cherokee Nation, including road and bridge construction,

rehabilitation and modernization of citizen homes, additional funding for Head Start and Childcare programs, summer youth employment and capital improvements at WW Hastings hospital.

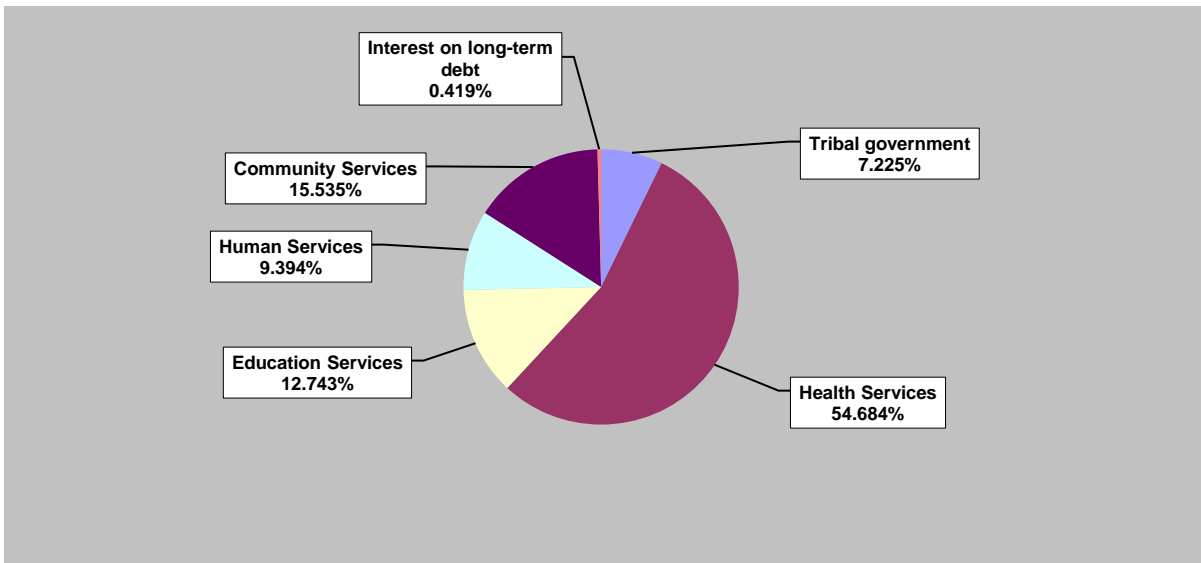
Graph 1 depicts revenues by source for the Governmental Activities of the Nation.

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 24.

Significant Budget Variations

The Nation's significant General Fund budget variations in 2011 were as follows (dollars in thousands):

			<u>Original vs. Final</u>		<u>Actual</u>	<u>Budget vs. Actual</u>	
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Variance Increase/ (Decrease)</u>	<u>Percentage Increase/ (Decrease)</u>		<u>Variance Increase/ (Decrease)</u>	<u>Percentage Increase/ (Decrease)</u>
Revenues:							
Interest	329	329	-	(31%)	873	544	165%
Third party revenues	354	629	275	27%	1,684	1,055	168%
Income from HACN	-	800	800	- %	1,500	700	88%
Other	5,322	5,370	48	7%	3,785	(1,585)	(30%)
Expenditures:							
Tribal government	23,260	33,209	9,949	(3%)	20,471	(12,738)	(38%)
Education services	18,845	20,772	1,927	6%	17,334	(3,438)	(17%)
Community services	20,218	23,938	3,720	6%	14,276	(9,662)	(40%)
Capital outlay	7,977	7,585	(392)	(12%)	1,950	(5,635)	(74%)

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

Interest - Actual income was more than budgeted primarily due to larger cash balances in interest bearing accounts as well as conservative budgeting due to expected reductions in the interest rates during 2011.

Third party revenues – Actual revenue was higher attributable to the collection of more insurance receipts on housing activities as well as additional health services income received for the Vinita Clinic.

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

Other – Actual revenues were less than budget due to receipts from Housing Clients being lower than expected. Actual revenue received by the Tribal Employment Rights Office (TERO) Job Training program was less than was budgeted.

Tribal government - The actual expenditures were less than budget, primarily caused by reserves established for cash match for grants, capital improvements and contingencies which were not utilized in 2011 as well as contracts and other program expenditures not expended for the Building Structures and Property Maintenance, Advocacy Initiative, Gaming Commission, TERO Job Training Program and the Tribal Council.

Education services – Actual expenditures were less than budget due to fewer tuition and scholarships distributed in the MFT Higher Ed Scholarship and Directed Studies programs as well as operational costs for the CN Historical Society being less than was budgeted. In addition, the Motor Fuels Tax Education Reserve was not utilized in 2011.

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

Capital outlay - The Nation’s budget included approximately \$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.

Capital Assets and Debt Administration

The Nation’s capital assets, net of depreciation, at the end of fiscal year 2011 were \$120 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	\$ 16,488	\$ 81	\$ 16,569
Construction in progress	16,359	-	16,359
Buildings and improvements	67,113	507	67,620
Equipment	19,603	-	19,603
Total capital assets	<u>\$ 119,563</u>	<u>\$ 588</u>	<u>\$ 120,151</u>

Additional information on the Nation’s capital assets can be found in Note 7 on pages 61 - 63 of this report.

The Nation’s long-term debt at the end of fiscal year 2011 was approximately \$59 million, primarily related to Title VI loan proceeds and health clinic construction and expansion. The following is a summary of long-term debt at September 30, 2011 (dollars in thousands):

	Governmental Activities	Business-type Activities	Total
Notes payable	\$ 23,098	\$ 15,301	\$ 38,399
Bonds payable	20,310	-	20,310
Capital leases payable	435	-	435
Total long-term debt	<u>\$ 43,843</u>	<u>\$ 15,301</u>	<u>\$ 59,144</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, 2011, borrowings under this credit facility totaled approximately \$13.9 million.

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

The Nation entered into a 15 year note in 2011, to construct a new clinic in Vinita. The loan proceeds along with additional funding from the SG DHHS fund will cover the costs of the new clinic.

Additional information on the Nation's long-term debt can be found in Note 8 on pages 64 - 69 of this report.

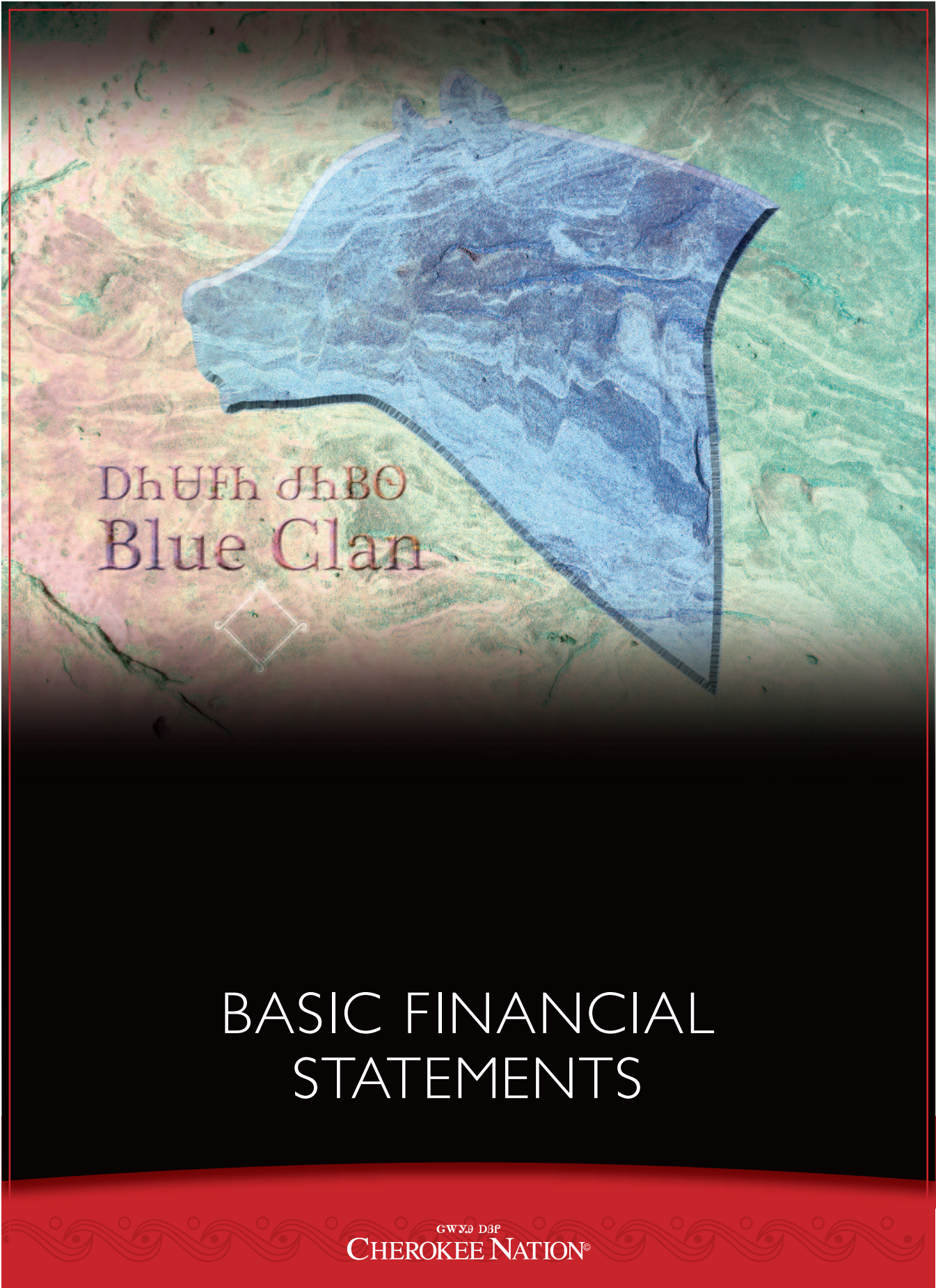
Economic Factors and Next Year's Budget

The Nation continues to provide vital services to the citizens despite the economic downturn. The outlook for 2012 revenue is relatively flat for General Fund. Budgeted expenditures and transfers for the Nation's General Fund for fiscal year 2012 total \$99 million, approximately \$18 million less than the final amounts budgeted for fiscal year 2011 due to a reduction of carryover funding budgeted for fiscal year 2012. The American Recovery and Reinvestment Act (ARRA) provided additional funding to the Nation through a series of grants distributed by various federal agencies. This one-time funding was utilized by the Nation to address the needs of the citizens, such as roads, water and sanitation and housing.

The softening of gaming markets is anticipated to continue into fiscal year 2012. The economic downturn is expected to continue to have some impact on gaming; however, the overall effect has been mitigated to a large degree through strategic growth and marketing strategies. The expansions by other tribes in the Tulsa market provide direct competition for the Nation's Catoosa casino operated by Cherokee Nation Entertainment, LLC (CNE). To address the competitive factors, CNB and CNE have begun an aggressive growth and development strategy for its flagship properties including branding the Catoosa facility as a Hard Rock Hotel and Casino. CNE also continues its innovative approach to offering the newest gaming options available. CNE continues its initiatives to improve loyalty within its existing customer base including targeted marketing and rewards programs.

Contacting the Nation's Financial Management

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



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BASIC FINANCIAL STATEMENTS



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Dogwood



The dogwood tree has been used by Cherokees for many generations. Uses include forming the twigs into toothbrush substitutes ("dawgsticks"), the wood into tool handles, and the branches into arrow shafts.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CHEROKEE NATION

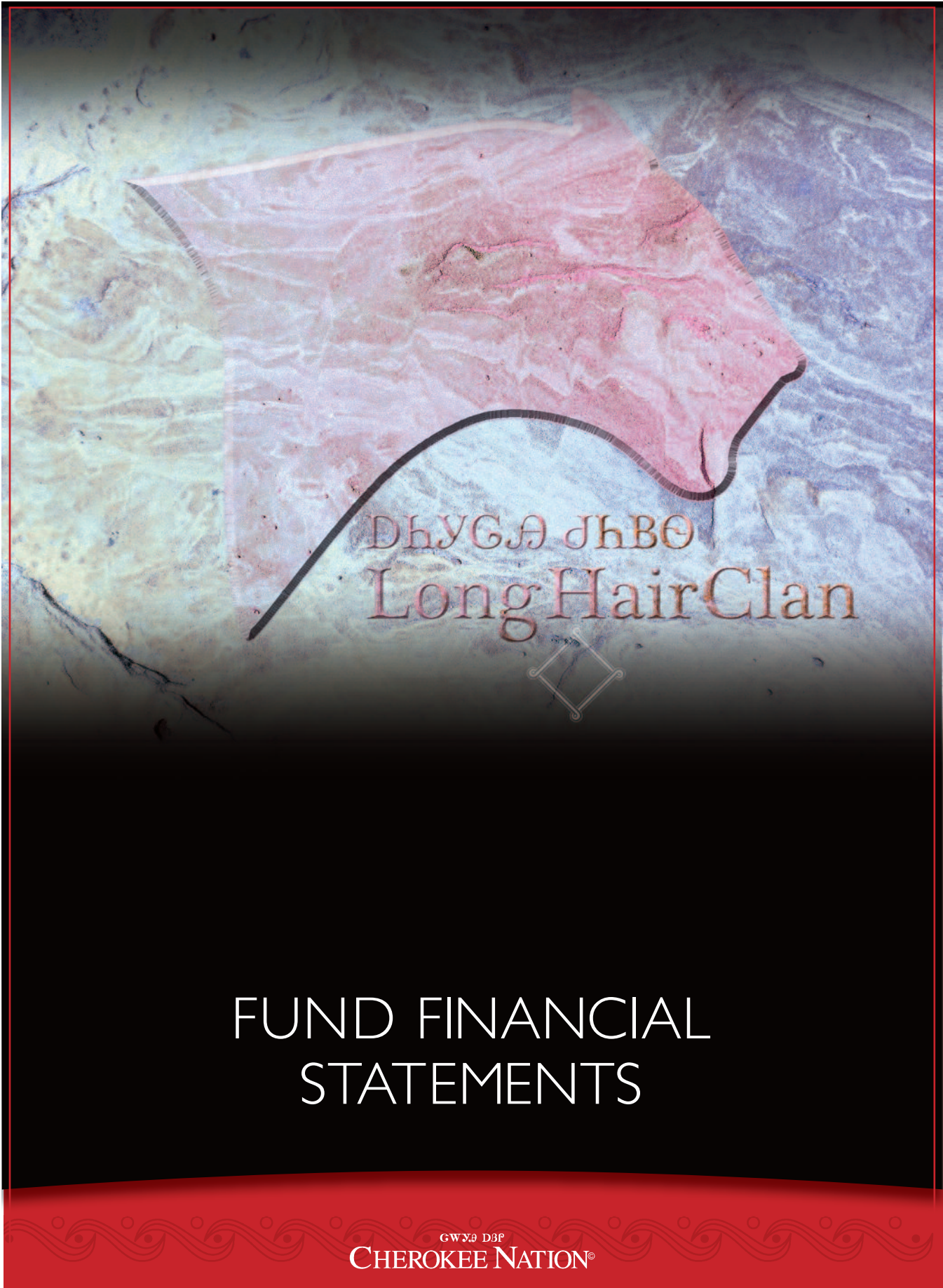
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011
(Dollars in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 211,480	\$ 1,978	\$ 213,458	\$ 72,840
Investments	15,348	-	15,348	25,625
Accounts receivable, net	18,641	-	18,641	33,364
Receivable for insurance claims	-	-	-	4,450
Mortgages receivable, Title VI and partnerships, current	-	-	-	569
Due from other funds - Internal Balances	2,073	(2,073)	-	-
Due from component units	3,666	1,486	5,152	-
Inventories	3,863	-	3,863	14,365
Notes receivable	70	2,749	2,819	-
Other current assets	8,886	9	8,895	8,713
Restricted cash, cash equivalents and investments	52,864	2,813	55,677	17,168
Long-term notes receivable	1,061	15,361	16,422	1,595
Long-term mortgages receivable, Title VI and partnerships	-	-	-	21,242
Other assets	4,123	-	4,123	11,555
Investment in joint ventures/partnerships	-	-	-	6,387
Deferred outflow	1,247	-	1,247	-
Capital assets, non depreciable	32,161	81	32,242	57,806
Capital assets, depreciable, net	87,402	507	87,909	463,683
Total assets	442,885	22,911	465,796	739,362
Liabilities				
Accounts payable and accrued liabilities	43,555	54	43,609	66,419
Due to primary government	-	-	-	5,152
Other current liabilities	6,146	19	6,165	-
Unearned revenue	728	-	728	667
Deferred grant revenue	101,242	-	101,242	-
Notes payable and long-term debt				
Due within one year	3,898	1,951	5,849	2,366
Due in more than one year	39,510	13,350	52,860	15,370
Capital leases				
Due within one year	304	-	304	-
Due in more than one year	131	-	131	-
Compensated absences				
Due within one year	6,567	-	6,567	-
Trust liabilities	-	-	-	7,272
Other noncurrent liabilities	1,247	2,667	3,914	-
Total liabilities	203,328	18,041	221,369	97,246
Net Assets				
Invested in capital assets, net of related debt	94,667	514	95,181	514,252
Restricted for				
Education, Roads and Safety (MVT)	7,865	-	7,865	-
Education, Health, Roads and Safety (MFT)	31,582	-	31,582	-
Permanent Funds - expendable	77	-	77	-
Permanent Funds - nonexpendable	425	-	425	-
Construction	-	-	-	878
Debt service	1,696	-	1,696	2,573
Program services	53,589	-	53,589	36,516
Tsa-La-Gi repair and replacements	-	304	304	-
Unrestricted net assets	49,656	4,052	53,708	87,897
Total net assets	\$ 239,557	\$ 4,870	\$ 244,427	\$ 642,116

CHEROKEE NATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2011
(Dollars in Thousands)

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Primary Government</u>			
				<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Component Units</u>
Primary Government:							
Governmental activities:							
Tribal government	\$ 29,678	\$ 4,116	\$ 1,577	\$ (22,616)	\$ -	\$ (22,616)	\$ -
Health services	224,634	69,723	161,560	6,649	-	6,649	-
Education services	52,348	-	30,922	(21,426)	-	(21,426)	-
Human services	38,588	-	31,098	(7,490)	-	(7,490)	-
Community services	63,814	799	58,406	(4,609)	-	(4,609)	-
Interest on long-term debt	1,722	-	-	(1,722)	-	(1,722)	-
Total governmental activities	410,784	74,638	283,563	(51,214)	-	(51,214)	-
Business-type activities:							
Title VI Loan Fund	302	303	-	-	1	1	-
Tsa-La-Gi Apartments	459	508	-	-	49	49	-
Landfill Closure	154	154	-	-	-	-	-
EDTA	67	170	-	-	103	103	-
Total business-type activities	982	1,135	-	-	153	153	-
Total primary government	\$ 411,766	\$ 75,773	\$ 283,563	(51,214)	153	(51,061)	-
Component Units	\$ 620,504	\$ 688,332	\$ 1,099				50,153
General Revenues:							
Motor fuel tax				7,543	-	7,543	-
Motor vehicle tax				8,441	-	8,441	-
Tobacco tax				3,990	-	3,990	-
Sales tax				2,905	-	2,905	-
Grants and contributions not restricted to specific programs				13,394	-	13,394	-
Unrestricted investment earnings				1,393	2	1,395	1,381
Dividends from component units				30,074	-	30,074	-
Miscellaneous revenue				5,360	-	5,360	3,352
Income on investments in joint ventures				-	-	-	491
Gain on disposals				-	-	-	425
Transfers				(806)	806	-	-
Total general revenues and transfers				72,294	808	73,102	5,649
Change in net assets				21,080	961	22,041	55,802
Net assets, beginning, as previously reported				218,477	3,909	222,386	583,069
Current Year Inclusion of Discretely Presented Component Units (Note 1)				-	-	-	3,245
Net assets, beginning, as restated				-	-	-	586,314
Net assets, ending				\$ 239,557	\$ 4,870	\$ 244,427	\$ 642,116

See notes to basic financial statements



DHYGƏ JHBE
Long Hair Clan



FUND FINANCIAL STATEMENTS

CHEROKEE NATION

BALANCE SHEET - GOVERNMENTAL FUNDS

SEPTEMBER 30, 2011

(Dollars in Thousands)

	General	Self Governance DOI Roads	Dept of Transportation	Self Governance DHHS	Housing & Urban Development	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS								
Cash and cash equivalents	\$ 41,869	\$ 29,187	\$ 31,271	\$ 60,415	\$ 14,265	\$ -	\$ 34,464	\$ 211,471
Investments	-	7,074	-	-	-	-	8,274	15,348
Receivables, net	2,544	43	-	10,500	542	-	4,984	18,613
Due from other funds	13,553	-	-	-	-	9,796	-	23,349
Due from component units	4,670	-	-	-	-	-	-	4,670
Inventories	-	-	-	2,809	212	-	682	3,703
Notes receivable	-	-	-	-	-	-	62	62
Other current assets	51	-	-	8,285	-	-	261	8,597
Restricted cash, cash equivalents and investments	27,857	-	-	-	-	20,490	4,517	52,864
Total assets	\$ 90,544	\$ 36,304	\$ 31,271	\$ 82,009	\$ 15,019	\$ 30,286	\$ 53,244	\$ 338,677
LIABILITIES AND FUND BALANCES								
LIABILITIES:								
Accounts payable and accrued liabilities	\$ 22,232	\$ -	\$ -	\$ 7,376	\$ 386	\$ -	\$ 212	\$ 30,206
Due to other funds	4,937	206	1,703	27,983	1,572	-	8,039	44,440
Due to component units	-	-	-	-	1,089	-	-	1,089
Other liabilities	3	-	-	2	18	-	147	170
Deferred grant revenue	-	36,098	29,492	1,067	8,540	-	26,045	101,242
Unearned revenue	11	-	-	-	-	-	717	728
Total liabilities	<u>27,183</u>	<u>36,304</u>	<u>31,195</u>	<u>36,428</u>	<u>11,605</u>	<u>-</u>	<u>35,160</u>	<u>177,875</u>
FUND BALANCES:								
Nonspendable	-	-	-	11,094	212	-	487	11,793
Restricted	39,447	-	76	34,487	3,202	20,490	17,597	115,299
Committed	6,353	-	-	-	-	-	-	6,353
Assigned	11,327	-	-	-	-	9,796	-	21,123
Unassigned	6,234	-	-	-	-	-	-	6,234
Total fund balances	<u>63,361</u>	<u>-</u>	<u>76</u>	<u>45,581</u>	<u>3,414</u>	<u>30,286</u>	<u>18,084</u>	<u>160,802</u>
Total liabilities and fund balances	\$ 90,544	\$ 36,304	\$ 31,271	\$ 82,009	\$ 15,019	\$ 30,286	\$ 53,244	

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

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore are not reported in the funds.

107,882

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

6,376

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Assets.

10,467

Liabilities that are not due and payable in the current period and therefore not reported in the funds.

(45,970)

Net assets of governmental activities

\$ 239,557

See notes to basic financial statements

CHEROKEE NATION

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011
(Dollars in Thousands)**

	General	Self Governance DOI Roads	Dept of Transportation	Self Governance DHHS	Housing & Urban Development	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:								
Intergovernmental	\$ -	\$ 2,765	\$ 6,037	\$ 141,345	\$ 36,358	\$ -	\$ 99,181	\$ 285,686
Property rentals	1,412	-	-	-	2,724	-	-	4,136
Motor fuel tax revenues	7,543	-	-	-	-	-	-	7,543
Taxes, licenses and fees	18,840	-	-	-	-	-	-	18,840
Interest	873	183	121	244	145	114	449	2,129
Trust fund income	105	-	-	-	-	-	-	105
Dividends from component units	30,074	-	-	-	-	-	-	30,074
Third party revenues	1,684	-	-	69,723	-	-	670	72,077
Income from HACN	1,500	-	-	-	-	-	-	1,500
Other	3,785	-	-	308	100	-	5,493	9,686
Total revenues	65,816	2,948	6,158	211,620	39,327	114	105,793	431,776
Expenditures:								
Current operating:								
Tribal Government	20,471	-	-	340	1,433	-	6,274	28,518
Health Services	5,227	-	-	190,132	-	416	24,426	220,201
Education Services	17,334	-	-	-	10	-	34,549	51,893
Human Services	3,542	-	-	-	179	-	34,594	38,315
Community Services	14,276	2,711	6,034	5,541	34,762	-	3,785	67,109
Debt service:								
Principal	156	-	-	1,894	-	-	1,660	3,710
Interest	1	-	-	758	-	-	940	1,699
Capital outlay	1,950	54	3	7,084	61	11,324	2,377	22,853
Total expenditures	62,957	2,765	6,037	205,749	36,445	11,740	108,605	434,298
Excess (deficiency) of revenues over expenditures	2,859	183	121	5,871	2,882	(11,626)	(2,812)	(2,522)
Other financing sources (uses):								
Insurance recoveries	21	-	-	-	101	-	-	122
Transfers in	638	-	-	-	459	3,249	4,241	8,587
Transfers out	(1,766)	(183)	(89)	(4,110)	(431)	-	(2,814)	(9,393)
Total other financing sources (uses)	(1,107)	(183)	(89)	(4,110)	129	3,249	1,427	(684)
Net change in fund balances	1,752	-	32	1,761	3,011	(8,377)	(1,385)	(3,206)
Fund balance, October 1, 2010	61,609	-	44	43,820	403	38,663	19,469	164,008
Fund balance, September 30, 2011	\$ 63,361	\$ -	\$ 76	\$ 45,581	\$ 3,414	\$ 30,286	\$ 18,084	\$ 160,802

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, 2011 (Dollars in Thousands)

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

Net change in fund balances - total governmental funds \$ (3,206)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. 15,086

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. 3,638

Some expenses are reported in the Statement of Activities when incurred and presented in the governmental funds when paid. 4,931

Contributions of capital assets recorded as revenue in government-wide financial statements but not recorded at governmental fund level. 894

The internal service funds are used to account for those activities which provide services to other functions within the government. These costs are allocated to the governmental funds in the government-wide financial statements. This amount is the net effect of the allocations. (263)

Change in net assets of governmental activities \$ 21,080

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, 2011 (Dollars in Thousands)

	Budgeted Amounts			Variance with Final Budget over/(under)
	Original	Final	Actual	
Revenues:				
Property rentals	\$ 1,417	\$ 1,417	\$ 1,412	\$ (5)
Motor fuel tax	7,356	7,356	7,543	187
Taxes, licenses and fees	17,946	17,946	18,840	894
Interest	329	329	873	544
Trust fund income	110	110	105	(5)
Dividends from component units	27,000	27,000	30,074	3,074
Third party revenues	354	629	1,684	1,055
Income from HACN	-	800	1,500	700
Other	5,322	5,370	3,785	(1,585)
Total revenues	<u>59,834</u>	<u>60,957</u>	<u>65,816</u>	<u>4,859</u>
Expenditures:				
Tribal government	23,260	33,209	20,471	(12,738)
Health services	4,274	5,274	5,227	(47)
Education services	18,845	20,772	17,334	(3,438)
Human services	3,518	3,636	3,542	(94)
Community services	20,218	23,938	14,276	(9,662)
Debt service	5	162	157	(5)
Capital outlay	7,977	7,585	1,950	(5,635)
Total expenditures	<u>78,097</u>	<u>94,576</u>	<u>62,957</u>	<u>(31,619)</u>
Excess (deficiency) of revenues over expenditures	<u>(18,263)</u>	<u>(33,619)</u>	<u>2,859</u>	<u>36,478</u>
Other financing sources (uses):				
Insurance recoveries	-	-	21	21
Transfers in	21,894	21,864	638	(21,226)
Transfers out	(22,293)	(22,664)	(1,766)	20,898
Total other financing sources (uses)	<u>(399)</u>	<u>(800)</u>	<u>(1,107)</u>	<u>(307)</u>
Net change in fund balance	(18,662)	(34,419)	1,752	36,171
Fund balance, October 1, 2010	61,609	61,609	61,609	-
Fund balance, September 30, 2011	<u>\$ 42,947</u>	<u>\$ 27,190</u>	<u>\$63,361</u>	<u>\$ 36,171</u>

CHEROKEE NATION

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

SEPTEMBER 30, 2011

(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	\$ 831	\$ 1,147	\$ 1,978	\$ 9
Accounts receivable, net	-	-	-	28
Due from other funds	-	80	80	25,939
Due from component units	1,343	143	1,486	85
Inventories	-	-	-	160
Notes receivable, current	1,854	895	2,749	-
Other current assets	-	9	9	289
Total current assets	4,028	2,274	6,302	26,510
Noncurrent assets:				
Restricted cash and cash equivalents	-	2,813	2,813	-
Long-term notes receivable	12,039	3,322	15,361	-
Capital assets, net	-	588	588	11,681
Total noncurrent assets	12,039	6,723	18,762	11,681
Total assets	16,067	8,997	25,064	38,191
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	22	32	54	11,504
Current portion of long-term debt	1,854	97	1,951	573
Due to other funds	2,150	3	2,153	2,775
Compensated absences	-	-	-	6,567
Other current liabilities	-	19	19	5,976
Total current liabilities	4,026	151	4,177	27,395
Noncurrent liabilities:				
Long-term debt	12,039	1,311	13,350	392
Other liabilities	-	2,604	2,604	-
Total noncurrent liabilities	12,039	3,915	15,954	392
Total liabilities	16,065	4,066	20,131	27,787
NET ASSETS				
Invested in capital assets, net of related debt	-	514	514	10,716
Restricted for capital repair and replacement	-	304	304	-
Unrestricted net assets/(deficit)	2	4,113	4,115	(312)
Total net assets	\$ 2	\$ 4,931	4,933	\$ 10,404
Adjustment to reflect the consolidation of Internal Service Funds activities related to Enterprise Funds			(63)	
Net assets of business-type activities			\$ 4,870	

See notes to basic financial statements

CHEROKEE NATION

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2011
 (Dollars in Thousands)**

	Business-type Activities-			Governmental Activities- Internal Service Funds
	Title VI Loan Fund	Enterprise Funds Nonmajor Enterprise Funds	Total	
Operating revenues:				
Property rentals	\$ -	\$ 502	\$ 502	\$ 5
Charges for services and goods	-	-	-	96,529
Interest income, loans	301	134	435	-
Other	-	193	193	195
Total operating revenues	<u>301</u>	<u>829</u>	<u>1,130</u>	<u>96,729</u>
Operating expenses:				
Cost of sales	-	-	-	362
Salaries and wages	-	53	53	76,917
Other services and charges	1	535	536	16,886
Materials and supplies	-	13	13	1,830
Depreciation	-	57	57	963
Total operating expenses	<u>1</u>	<u>658</u>	<u>659</u>	<u>96,958</u>
Operating income (loss)	<u>300</u>	<u>171</u>	<u>471</u>	<u>(229)</u>
Nonoperating revenues (expenses):				
Interest income	2	5	7	-
Interest expense	(301)	(22)	(323)	(46)
Net nonoperating revenues (expenses)	<u>(299)</u>	<u>(17)</u>	<u>(316)</u>	<u>(46)</u>
Income (loss) before capital contribution and transfers	1	154	155	(275)
Capital contribution	-	-	-	12
Transfers in	-	806	806	-
Change in net assets	<u>1</u>	<u>960</u>	<u>961</u>	<u>(263)</u>
Total net assets - beginning	<u>1</u>	<u>3,971</u>		<u>10,667</u>
Total net assets - ending	<u>\$ 2</u>	<u>\$ 4,931</u>		<u>\$ 10,404</u>
Adjustment to reflect the consolidation of Internal Service Funds activities related to Enterprise Funds			-	
Change in net assets of business-type activities			<u>\$ 961</u>	

See notes to basic financial statements

CHEROKEE NATION

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2011 (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	\$ -	\$ 503	\$ 503	\$ 96,502
Payments to suppliers	(9)	(551)	(560)	(19,739)
Payments to employees	-	(53)	(53)	(76,588)
Internal activity - payments to other funds	(1,575)	(8)	(1,583)	(1,215)
Internal activity - payments from other funds	-	-	-	114
Internal activity - payments to other Component Units	(199)	-	(199)	(11)
Internal activity - payments from other Component Units	-	128	128	31
Interest received on loans	301	134	435	-
Other receipts	-	193	193	1,710
Net cash provided by (used for) operating activities	<u>(1,482)</u>	<u>346</u>	<u>(1,136)</u>	<u>804</u>
Cash flows from noncapital financing activities:				
Transfer from other funds	-	806	806	-
Principal paid on notes payable	(2,692)	(62)	(2,754)	-
Interest paid on notes payable	(301)	(13)	(314)	-
Net cash provided by (used for) noncapital financing activities	<u>(2,993)</u>	<u>731</u>	<u>(2,262)</u>	<u>-</u>
Cash flows from capital and related financing activities:				
Purchases of capital assets	-	-	-	(236)
Principal paid on capital debt and leases	-	(114)	(114)	(552)
Interest paid on capital debt and leases	-	(9)	(9)	(46)
Net cash used for capital and related financing activities	<u>-</u>	<u>(123)</u>	<u>(123)</u>	<u>(834)</u>
Cash flows from investing activities:				
Interest received	2	5	7	-
Payments received on notes receivable	2,692	-	2,692	-
Decrease(increase) in notes receivable, net	-	(596)	(596)	-
Net cash provided by (used for) investing activities	<u>2,694</u>	<u>(591)</u>	<u>2,103</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(1,781)	363	(1,418)	(30)
Cash and cash equivalents, October 1, 2010	<u>2,612</u>	<u>3,597</u>	<u>6,209</u>	<u>39</u>
Cash and cash equivalents, September 30, 2011	<u>\$ 831</u>	<u>\$ 3,960</u>	<u>\$ 4,791</u>	<u>\$ 9</u>
Cash and Cash Equivalents consist of:				
Unrestricted cash and cash equivalents	\$ 831	\$ 1,147	\$ 1,978	\$ 9
Restricted cash and cash equivalents	-	2,813	2,813	-
Total Cash and Cash Equivalents, September 30, 2011	<u>\$ 831</u>	<u>\$ 3,960</u>	<u>\$ 4,791</u>	<u>\$ 9</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 300	\$ 171	\$ 471	\$ (229)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation expense	-	57	57	963
Change in assets and liabilities:				
Receivables, net	(199)	(21)	(220)	(1,227)
Inventories	-	-	-	(29)
Other current assets	-	-	-	(33)
Accounts and other payables	(1,583)	139	(1,444)	1,359
Net cash provided by (used for) operating activities	<u>\$ (1,482)</u>	<u>\$ 346</u>	<u>\$(1,136)</u>	<u>\$ 804</u>
Noncash investing, capital, and financing activities:				
Contributions of capital assets from Component Unit	-	-	-	12
See notes to basic financial statements				

CHEROKEE NATION
COMBINING STATEMENT OF NET ASSETS - COMPONENT UNITS
SEPTEMBER 30, 2011
(Dollars in Thousands)

	Cherokee Nation Businesses, LLC (CNB)	Housing Authority of the Cherokee Nation (HACN)	Cherokee Nation Comprehensive Care Agency (CNCCA)	Cherokee Nation HomeHealth Services, Inc. (CNHHS)	Cherokee Nation Waste Management, LLC (CNWM)	Cherokee Nation Foundation (CNF)	Cherokee Nation Historical Society, Inc. (CNHS)	Total
ASSETS								
Current assets:								
Cash and cash equivalents	\$ 69,096	\$ 1,081	\$ 862	\$ 121	\$ 1,553	\$ 31	\$ 96	\$ 72,840
Restricted cash	6,511	-	-	-	28	17	64	6,620
Investments	-	24,494	-	-	-	346	785	25,625
Receivables, net	32,184	620	-	330	87	26	117	33,364
Receivable for insurance claims	4,450	-	-	-	-	-	-	4,450
Mortgages receivable-Title VI	-	569	-	-	-	-	-	569
Inventories	14,270	-	-	-	-	-	95	14,365
Other current assets	8,478	161	11	55	8	-	-	8,713
Total current assets	134,989	26,925	873	506	1,676	420	1,157	166,546
Restricted investments	-	8,953	-	-	-	1,595	-	10,548
Notes receivable	1,313	282	-	-	-	-	-	1,595
Mortgages receivable-Title VI and partnerships	-	21,242	-	-	-	-	-	21,242
Other assets	10,444	1,111	-	-	-	-	-	11,555
Investment in partnerships/joint ventures	4,340	1,379	668	-	-	-	-	6,387
Capital assets, net	449,239	61,829	1,729	631	7,369	-	692	521,489
Total noncurrent assets	465,336	94,796	2,397	631	7,369	1,595	692	572,816
Total assets	600,325	121,721	3,270	1,137	9,045	2,015	1,849	739,362
LIABILITIES								
Current liabilities:								
Accounts payable and accrued liabilities	65,042	56	341	606	334	8	32	66,419
Due to primary government	5,155	(174)	25	-	146	-	-	5,152
Deferred revenue	-	473	194	-	-	-	-	667
Current portion of notes payable	-	1,889	-	-	-	-	-	1,889
Current portion of long-term debt	38	-	47	392	-	-	-	477
Total current liabilities	70,235	2,244	607	998	480	8	32	74,604
Trust Liabilities	-	7,272	-	-	-	-	-	7,272
Notes Payable	-	13,850	-	-	-	-	-	13,850
Long-term debt	-	-	1,350	90	-	-	80	1,520
Total noncurrent liabilities	-	21,122	1,350	90	-	-	80	22,642
Total liabilities	70,235	23,366	1,957	1,088	480	8	112	97,246
NET ASSETS								
Invested in capital assets, net of related debt	446,562	59,983	332	149	7,226	-	-	514,252
Restricted for:								
Debt service	-	2,573	-	-	-	-	-	2,573
Construction	850	-	-	-	28	-	-	878
Program services	-	34,420	-	-	-	1,612	484	36,516
Unrestricted net assets	82,678	1,379	981	(100)	1,311	395	1,253	87,897
Total net assets	\$ 530,090	\$ 98,355	\$ 1,313	\$ 49	\$ 8,565	\$ 2,007	\$ 1,737	\$ 642,116

See notes to basic financial statements

CHEROKEE NATION

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS -
COMPONENT UNITS
FOR THE YEAR ENDED SEPTEMBER 30, 2011
(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 Nation Foundation (CNF)	Cherokee Nation Historical Society, Inc. (CNHS)	Total
Operating revenues:								
Charges for services and goods	\$ 653,112	\$ 329	\$ 4,942	\$ 4,825	\$ 1,909	\$ -	\$ 117	\$ 665,234
Income from investments in joint ventures	359	-	132	-	-	-	-	491
Other	-	178	-	140	-	779	2,001	3,098
Total operating revenues	<u>653,471</u>	<u>507</u>	<u>5,074</u>	<u>4,965</u>	<u>1,909</u>	<u>779</u>	<u>2,118</u>	<u>668,823</u>
Operating expenses:								
Cost of sales/operations	231,816	2,141	-	-	-	-	-	233,957
Salaries and wages	182,558	-	1,978	3,539	615	-	-	188,690
Other services and charges	113,810	45	2,549	1,474	884	333	2,134	121,229
Depreciation and amortization	36,594	3,957	107	86	2,434	-	-	43,178
Total operating expenses	<u>564,778</u>	<u>6,143</u>	<u>4,634</u>	<u>5,099</u>	<u>3,933</u>	<u>333</u>	<u>2,134</u>	<u>587,054</u>
Operating income (loss)	<u>88,693</u>	<u>(5,636)</u>	<u>440</u>	<u>(134)</u>	<u>(2,024)</u>	<u>446</u>	<u>(16)</u>	<u>81,769</u>
Nonoperating revenues (expenses)								
Grant revenue	-	1,099	-	-	-	-	-	1,099
Interest/investment income	224	1,086	2	-	-	-	69	1,381
Interest expense	(751)	(418)	(92)	(39)	-	-	-	(1,300)
Gain (loss) on disposal of assets	-	424	-	-	1	-	-	425
Other, net	3,291	-	60	1	-	-	-	3,352
Net nonoperating revenues (expenses)	<u>2,764</u>	<u>2,191</u>	<u>(30)</u>	<u>(38)</u>	<u>1</u>	<u>-</u>	<u>69</u>	<u>4,957</u>
Net Income (loss)	<u>91,457</u>	<u>(3,445)</u>	<u>410</u>	<u>(172)</u>	<u>(2,023)</u>	<u>446</u>	<u>53</u>	<u>86,726</u>
Dividends to primary government	(30,074)	-	-	-	-	-	-	(30,074)
Capital grants from primary government	-	1,226	-	-	-	-	-	1,226
Capital grants	(2,076)	-	-	-	-	-	-	(2,076)
Change in net assets	<u>59,307</u>	<u>(2,219)</u>	<u>410</u>	<u>(172)</u>	<u>(2,023)</u>	<u>446</u>	<u>53</u>	<u>55,802</u>
Net assets, beginning of year, as previously reported	470,783	100,574	903	221	10,588	-	-	583,069
Current Year Inclusion of Discretely Presented Component Unit (Note 1)	-	-	-	-	-	1,561	1,684	3,245
Net assets, beginning of year, as restated	<u>470,783</u>	<u>100,574</u>	<u>903</u>	<u>221</u>	<u>10,588</u>	<u>1,561</u>	<u>1,684</u>	<u>586,314</u>
Net assets, end of year	<u>\$ 530,090</u>	<u>\$ 98,355</u>	<u>\$ 1,313</u>	<u>\$ 49</u>	<u>\$ 8,565</u>	<u>\$ 2,007</u>	<u>\$ 1,737</u>	<u>\$ 642,116</u>

See notes to basic financial statements

CHEROKEE NATION

RECAST OF THE COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS -

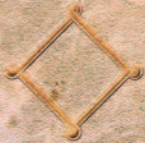
COMPONENT UNITS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2011

(Dollars in Thousands)

	Discretely Presented Component Units	Government-wide - Statement of Activities				
		Program Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Revenues
Operating revenues:						
Charges for services and goods	\$ 665,234	\$ -	\$ 665,234	\$ -	\$ -	\$ -
Income from investments in joint ventures	491	-	-	-	-	491
Other	3,098	-	3,098	-	-	-
Total operating revenues	668,823	-	668,332	-	-	491
Operating expenses:						
Cost of sales/operations	233,957	233,957	-	-	-	-
Salaries and wages	188,690	188,690	-	-	-	-
Other services and charges	121,229	121,229	-	-	-	-
Depreciation and amortization	43,178	43,178	-	-	-	-
Total operating expenses	587,054	587,054	-	-	-	-
Operating income (loss)	81,769	(587,054)	668,332	-	-	491
Nonoperating revenues (expenses)						
Grant revenue	1,099	-	-	1,099	-	-
Interest/investment income	1,381	-	-	-	-	1,381
Interest expense	(1,300)	(1,300)	-	-	-	-
Gain on disposal of assets	425	-	-	-	-	425
Other, net	3,352	-	-	-	-	3,352
Net nonoperating revenues (expenses)	4,957	(1,300)	-	1,099	-	5,158
Net Income (loss)	86,726	(588,354)	668,332	1,099	-	5,649
Dividends to primary government	(30,074)	(30,074)	-	-	-	-
Capital grants from primary government	1,226	-	-	-	1,226	-
Capital grants	(2,076)	(2,076)	-	-	-	-
Change in net assets	55,802	(620,504)	668,332	1,099	1,226	5,649
Net assets, beginning of year, as previously reported	583,069	-	-	-	-	583,069
Current Year Inclusion of Discretely Presented Component Unit (Note 1)	3,245	-	-	-	-	3,245
Net assets, beginning of year, as restated	586,314	-	-	-	-	586,314
Net assets, end of year	\$ 642,116	\$ (620,504)	\$ 668,332	\$ 1,099	\$ 1,226	\$ 591,963

See notes to basic financial statements



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Sassafras

Sassafras is a commonly used Cherokee medicinal plant. The root bark is also favored as a refreshing spring tonic.

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Information and Basis of Presentation

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

Reporting Entity

The Nation is a 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 Bureau of Indian Affairs (BIA) and the United States Treasury, as its trustee, as well as all other funds and activities over which the Nation exercises financial accountability. The Nation's basic financial statements do not include the financial position or activities of various federal and state governmental agencies operating within tribal lands. The Nation determines its financial reporting entity in accordance with Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, as amended by GASB No. 39, *Determining Whether Certain Organizations Are Component Units*, 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 they do not have substantially the same governing body as the primary government nor do they provide services entirely or almost entirely to the primary government or for the benefit of the primary government. The following component units are included in the reporting entity because the primary government is financially accountable for and is able to impose its will on these organizations.

Cherokee Nation Businesses, LLC (CNB) — CNB, a tribal limited liability company, was created June 16, 2004, to provide shared services and strategic coordination to the Nation's business entities, to diversify the Nation's business holdings, and act as a holding corporation for certain Nation investments in business enterprises. The Nation created CNB and is able to exert significant influence over CNB's activities as a result of its relationship to CNB and board member appointments. CNB and the companies it owns are managed through a board of directors appointed by the Principal Chief of the Nation and approved by the Cherokee Nation Tribal Council. As of September 30, 2011, CNB held an interest in the following entities:

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

a discrete component unit of the Nation. CNE operates seven casinos, a horse racing facility with electronic gaming machines, two retail smoke shop facilities that include electronic gaming machines and other retail facilities including an additional smoke shop, a travel plaza, convenience stores and gift shops. CNE's gaming and entertainment operations include food and beverage venues, hotels and motels, live entertainment venues and an 18-hole and a 9-hole golf course. Separately issued financial statements for CNE may be obtained from CNB's corporate office.

CNE has two of its own blended component units. CNE is the sole member owning 100% of both component units. The Chief Executive Officer of CNE is the designated manager of both component units. Based on the foregoing criteria and in compliance with the provisions of GASB No. 14, 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, more than 100 simulcast televisions, a one-mile racetrack, enclosed track seating for up to 400, outdoor grandstand seating for 2,700, various food and beverage options, as well as a live entertainment area. In addition, there is a one-half mile training track, 600 horse stalls and more than 400 recreational vehicle hook-ups. 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 motels currently located in Catoosa and Roland, Oklahoma. The motel in Catoosa is a 113 room motel located adjacent to the casino facility. The hotel in Roland is a 44 room hotel adjacent to the casino.

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 CND 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.

Centrally located in Pryor, Oklahoma, the Telecommunications business unit of CNI 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" of telecommunications products consisting of fiber optic, fiber jumpers, fiber pass cards, network rack and value-added kitting as well as other

products and services that are telecommunications related. The CNI Telecommunications business unit has supplied the wired and wireless telecommunications markets for over 40 years with installation kits, warehousing and distribution services, final assembly and CISCO products, design and installation.

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

Cherokee Nation Distribution, LLC (CND) — CND is a diversified company providing distribution services, office products, staffing services 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 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 300 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 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 with a workforce of over 35 employees. CNRW operates out of 25,000+ square feet of expandable manufacturing space on seven acres in Kellyville, Oklahoma. The core business is comprised of kitting, manufacturing and program management of cable assemblies and wire harness assemblies, interconnect solutions, electronic racks, electric panels and enclosures, power distribution assemblies, sheet metal fabrication and assembly, CNC (Computer Numerical Controlled) machining and "build to print" products.

Drawing on its in-house capabilities and a select group of prequalified subcontractors, CNRW supplies products to the commercial and defense aerospace industries. Much of the aforementioned activity of CNRW will be transitioned in 2012 to Cherokee Nation Metal Works, LLC (CNMW). In late 2011, CNRW was awarded a contract with the U.S. government to provide

program management services in support of foreign military repair and return of aviation and missile system components for weapons platforms such as UH-60 Blackhawk, AH-64 Apache, CH-47 Chinook, OH-58 Kiowa Warrior, Patriot Missile System and Hawk Missile System. CNRW has management offices in Tulsa, Oklahoma and Huntsville, Alabama, supporting activities at Redstone Arsenal, a United States Army base.

Cherokee Nation Metal Works, LLC (CNMW) — CNMW was formed in 2011 and manufactures fabricated details and assemblies for commercial and military aircraft as well as various missile and unmanned aerial vehicle (UAV) programs. Capabilities include computer numerical control machining, metal forming and manufacturing.

CND and CMS are for-profit limited liability companies owned by CNB and created under the laws of the state of Oklahoma. CNHS LLC, CNRW and CNMW are tribal limited liability companies owned by CNB and organized under the laws of the Nation. CND, CMS, CNHS LLC, CNRW and CNMW are blended with CNI because they are under common management.

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 intelligent 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 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 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.

On February 1, 2011, CNB completed the purchase of the assets of ETI Professionals, Incorporated (ETI) through its component units CNTS and CNGS. ETI provides professional staffing services to government agencies as well as commercial customers. The purchased assets consist primarily of customer contracts.

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 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 Property Management, LLC (CNPM) — Formed in 2010, CNPM provides real estate management, development, leasing and due diligence services.

Cherokee Nation Construction Services, LLC (CNCS) — 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.

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, access control and professional IT services.

Mobility Plus, LLC (MP) — On November 1, 2010, CNB completed the acquisition of 100% of the members' interest of MP, an Oklahoma limited liability company. MP specializes in the rental, sale and service of a wide variety of rehabilitation technology devices and respiratory products, durable medical equipment and medical supplies.

CNB is the sole member of CSG, CNT, CNTS, CNGS, CNSD, CNPM, CNCS, CNA, and Mobility which are included as blended component units of CNB. Separately issued financial statements with additional disclosures may be obtained from CNB's corporate office.

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, 2011, \$15,000,000 of the allocation had been sub-allocated to an eligible project.

Under the terms of its allocation agreement, EDC was required to have sub-allocated at least 60% of its \$60,000,000 NMTC allocation prior to September 30, 2011. EDC is currently in discussions with the administrator of the NMTC Program about this noncompliance. Management expects a favorable outcome from these discussions. If the administrator were to declare a default, it would have certain remedies, including terminating or reallocating any unused portion of the EDC's NMTC allocation and barring them from applying for additional NMTC allocations.

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, 2011, CNB recognized earnings from CCRC totaling \$359,000 and received distributions of \$1,200,000.

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, 2011, CNB recognized earnings from APSE totaling \$1,600,000 and received distributions of \$113,000.

Housing Authority of the Cherokee Nation of Oklahoma (HACN) —HACN was created under the provisions of the laws of the State of Oklahoma and provides affordable housing and other services to low income Native Americans within the boundaries of the Nation. The Commissioners of the Housing Authority are nominated by the Principal Chief and confirmed by the Tribal Council of the Cherokee Nation. Based on the foregoing criteria and in compliance with the provisions of GASB No. 14, 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. 14, CAH is included as a blended component unit in the HACN's financial statements.

Cherokee Nation Comprehensive Care Agency (CNCCA) — CNCCA, a tribal governmental agency, was created to facilitate various Nation health care initiatives including the facilitation of joint ventures and other business related health activities. CNCCA is managed through a board of directors appointed by the Principal Chief of the Nation and approved by the Cherokee Nation Tribal Council. Based on the foregoing criteria and in compliance with the provisions of GASB No. 14, 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 corporate office. CNCCA currently has two initiatives, which includes the Program of All-Inclusive Care for the Elderly (PACE) and a joint venture, Cherokee Health Partners, LLC (CHP).

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

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 is 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. CNCCA has recognized its proportionate share of CHP's earnings and distributions resulting in a carrying value of approximately \$668,000 for the joint venture at September 30, 2011.

CHP directly holds a joint venture interest in Tahlequah Diagnostic Imaging, 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. In its general appeal to capture all the business formerly provided by the THA, TDI solicits to serve everyone in the community. 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 \$80,000 for the joint venture at June 30, 2011.

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

Cherokee Nation Waste Management, LLC (CNWM) — CNWM is a tribal limited liability company organized in 2008 for the purpose of operating the Cherokee Nation Sanitary Landfill in Stilwell, Oklahoma, through an operating agreement with the Cherokee Nation. CNWM completed construction of a new waste cell and opened for operations in November of 2009. The CNWM Board of Directors are appointed by the Chief and approved by Tribal Council; therefore, for reporting purposes, CNWM is included as a discretely presented component unit of the Nation.

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 Chief and then Tribal Council for approval. Based on the foregoing criteria and in compliance with the provisions of GASB No. 14, CNF is included in the Nation's financial report as a discrete component unit. The organization was previously excluded from the reporting entity in prior years as it was not considered material to the operations of the Nation. Beginning net assets have been restated in the amount of \$1,561. All information included in the Nation's financial statements for CNF is as of and for the fiscal period ended December 31, 2010.

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. The mission of CNHS is to preserve, promote and teach Cherokee history and culture. CNHS operates an outdoor summer theater program, 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. 14, CNHS is included in the Nation's financial report as a discrete component unit. The organization was previously excluded from the reporting entity in prior years as it was not considered material to the operations of the Nation. Beginning net assets have been restated in the amount of \$1,684. All information included in the Nation's financial statements for CNF is as of and for the fiscal period ended December 31, 2010.

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

Blended Component Units

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

Cherokee Nation Economic Development Trust Authority – The Economic Development Trust Authority (EDTA) is a Community Development Financial Institution, as certified by the U.S. Treasury Department. Cherokee Nation EDTA was created by Tribal Council Legislative Act 36-89 as a mechanism to promote economic development. Its mission is to provide opportunities for income generation through economic development, to provide loans for business creation/expansion, and to provide loans to qualified individuals whom have traditionally been denied through conventional lending sources. EDTA is a governmental organization created as a separate body whose Board of Directors is appointed by the Principal Chief and confirmed by the Tribal Council even though EDTA's governing board is not the same as the Tribal Council. The Nation has the ability to appoint, hire, reassign or dismiss the individuals responsible for management of the programs. EDTA almost exclusively benefits the Nation as its largest activity is the operation of an employee loan program for employees of the Nation 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 30% for fiscal year 2011. CNB's minimum dividend requirement is determined at the combined CNB reporting level. Dividends paid to the Nation and other related party transactions are discussed 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 equity, revenues, expenditures/expenses, and transfers. The General Fund is always a major governmental fund. Other major funds are determined as funds whose revenues, expenditures/expenses, assets or liabilities are at least ten percent of the totals for all governmental or enterprise funds and at least five percent of the aggregate amount for all governmental and enterprise funds for the same item or funds designated as major at the discretion of the Nation. Funds not classified as a major fund are aggregated and presented in a single column in the fund financial statements. The Nation uses the following funds, grouped by fund type.

Governmental Funds

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

General Fund

The General Fund represents the operating activities of the tribal government. All 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 by law or administrative action to finance particular functions or activities of the Nation. The following are the Nation's major Special Revenue Funds:

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

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 service 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 in Tahlequah, Oklahoma and nine clinics located in various communities throughout the Nation's jurisdictional boundaries. These expenditures are generally presented as health and 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 2008, the majority of the services previously performed by the HACN, a discretely presented proprietary component unit of the Nation, were assumed by the Nation.

These expenditures are generally presented as community service expenditures in the accompanying financial statements.

Capital Projects Funds

Capital Projects Funds are used to report resources that are used for major capital acquisition and construction separately from ongoing operational activities.

Debt Service Funds

Debt Service Funds are used to report resources that are set aside to meet current and future debt service requirements on general long-term debt.

Permanent Funds

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes supporting the Nation's programs. The Nation's Permanent Funds contain two endowments, both of which allow the expenditure of income for tuition and educational purposes, with the principal being unavailable for disbursement. The trust agreements state the distributions of income shall go to individuals one-quarter or more of Cherokee blood quantum. All fund balances from the endowments are 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 \$76,000 which is the available amount reflected in the fund balance.

The Glenn and Faye Gammon Education Trust was established in fiscal year 2001 by a willed contribution of \$291,000 to provide Cherokee higher education scholarships. In accordance with the will, income from the trust is used to provide tuition and related educational, travel and living expenses for Cherokee students with a blood quantum of one-quarter or more. The amount of net appreciation on the investment of the Gammon Education Trust is \$1,000 which is the available amount reflected in the fund balance.

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

Proprietary Funds

Proprietary funds are used to account for the Nation's ongoing 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 internal service funds, enterprise funds, and discretely presented component units, which represent the activities of the various entities established by the Nation for income and job producing purposes.

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 Cherokee Nation Housing Authority, 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 internal service funds' net assets and activities are combined with the governmental activities in the government-wide financial statements. Note disclosures for governmental activities also include related amounts for the internal service funds.

See pages 35 - 42 for descriptions of discretely presented component units.

Enterprise and internal service fund financial statements include a statement of net assets, a statement of revenues, expenses and changes in fund net assets, and a statement of cash flows. The enterprise fund financial information is presented under the business-type activities columns. A column representing internal service funds is also presented in these statements, with the majority of the internal service funds' net assets 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 Assets and Statement of Activities are presented using the economic resources measurement focus. The economic resources measurement focus meets the accounting objectives of determining net income, financial position, and cash flows.

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

Basis of Accounting

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

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

The Nation implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes criteria for classifying fund balances into specifically defined

categories and clarifies the existing governmental fund type definitions to improve the comparability of governmental fund financial statements. Further discussion of this topic begins on page 49 with “Fund Financial Statements”.

Accounting Policies

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

Cash and Cash Equivalents

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

Restricted Cash and Cash Equivalents

Amounts represent certain bank account 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 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 deferred revenue and are charged to expenditures as used, using the First In, First Out (FIFO) method. Food inventories are valued at the cost assigned to such food items by the granting agency.

The Nation maintains an inventory of housing materials to be used in construction of Homeownership Build Packages. This is a self-help program where clients will provide a majority of the work and will reimburse the Nation for the cost of materials.

CNB’s inventories are stated at the lower of cost or market and consist primarily of raw materials and manufactured products, food and beverage items, gaming supplies, hotel supplies, smoke shop, convenience store and gift shop inventory. Costs of raw materials and manufactured products are determined using the 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. Cost of supplies is determined by the average cost method with retail inventories stated using FIFO.

As a result of the operation of the Title VI Loan program, the HACN has 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. The amount in inventory for the year ended September 30, 2011 was \$712,000 and is classified as an “other asset” in the statements. This inventory is carried at the lower of cost or market value.

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. 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.

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. Activities such as the Nation’s gaming activities can only be conducted on land held in trust status. When land is placed into trust status, the title to the property is transferred to the Federal Government. Under generally accepted accounting principles, this land is removed from the books of the Nation or its component units since the Nation no longer has title to the land. At September 30, 2011, 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 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.

Fund Financial Statements

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

Deferred Grant Revenues

The Nation is the recipient of grants from several different federal and state agencies. In some instances, the grants are advance funded. The Nation records these grants as deferred revenue until the funds are expended in accordance with the grant terms.

Landfill Closure and Postclosure Care Costs

The Nation, based on the cumulative amount of used capacity, accrues the currently estimated liability for closure and postclosure care costs for the Nation's landfill, 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, 2011 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) and have been reflected within operating expenses in the Statement of Revenues, Expenses, and Changes in Net Assets. Total payments for fiscal year 2011 were approximately \$232,000.

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 assets date plus an additional amount for compensation-related payments such as social security and medicare taxes compiled using rates in effect at that date.

Upon request from the employee and approval by the supervisor and Human Resources, the Cherokee Nation annually buys back designated amounts of accrued annual leave from Regular/Full Time and Regular/Part Time employees, subject to restrictions based on funding agency guidelines as well as fund availability. In fiscal year 2011, the Cherokee Nation bought back \$1,144,000 of accrued annual leave.

Net Assets Classifications

Government-Wide Statements

Equity is classified as net assets and displayed in three components:

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

Restricted net assets consist of net assets with constraints placed on the use either by external groups, such as grantors and creditors, or laws and regulations of other governments, or law through Tribal constitutional provisions or enabling legislation. It is the Nation's policy to use restricted net assets prior to the use of unrestricted net assets when both restricted and unrestricted net assets are available for an expense which has been incurred.

Unrestricted net assets consists of all other assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund 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 it is 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.

Assigned includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. Fund balance may be assigned by formal action of the Nation's Treasurer or through Tribal Council resolutions.

Unassigned includes fund balance amounts within the General Fund which has not been classified within the above mentioned categories.

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

Program Revenues

There are two classifications of programmatic revenues for the Nation, grant revenue and program revenue. Grant revenues are revenues from federal, state, and private grants. These revenues are recognized when all applicable eligibility requirements are met and are reported as intergovernmental revenues. The primary source of program revenue is earned income in connection with the operation of the Nation's 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, 2011 was approximately \$70 million.

Grants and contributions not restricted to specific programs

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

Operating and Non-Operating Revenues and Expenses

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

Interest Income

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

Interest Income - Self Governance Compacts

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

Interest Income - Grants

The Nation receives certain amounts of advance funding in connection with 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 deferred revenue (overrecovered) or a deferred charge (underrecovered) and reversed in the period the difference is used to adjust the indirect cost rate.

Budgets and Budgetary Accounting Policies

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

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

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

Management Estimates

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

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The governmental funds balance sheet includes a reconciliation of total fund balances of the governmental funds to the total net assets of the governmental activities in the statement of net assets. One element of that reconciliation explains that “capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore are not reported in the funds.” The details of this \$107,882,000 capital assets used in governmental activities are as follows (dollars in thousands):

Capital assets, net	\$ 119,563
Less: Internal service fund capital assets	<u>(11,681)</u>
Capital assets used in governmental activities	<u>\$ 107,882</u>

The next element of the reconciliation is the amount of \$6,376,000 which states “the assets recorded in government-wide financial statements that are not available to pay for current period expenditures, therefore, are not recorded in the funds.” (dollars in thousands)

Debt Issuance Costs - governmental funds, beginning of year	\$ 1,222
Deferred Outflow	1,247
Amortization of debt issuance costs - governmental funds	(72)
Notes receivable, net - Self Help Housing	1,069
Other assets	<u>2,910</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ 6,376</u>

The final element of that reconciliation, excluding the net assets of the internal service funds of \$10,467,000, explains that “liabilities are not due and payable in the current period and, therefore, not reported in the funds.” The details of this \$45,970,000 difference are as follows (dollars in thousands):

Long-term debt	\$ 42,878
Fair value of swap agreement	1,247
Accrued bond interest	302
Accounts payable	<u>1,543</u>
Net adjustment to decrease fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ 45,970</u>

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

One element of this reconciliation explains “governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded

depreciation in the current period.” The details of this \$15,086,000 difference are as follows (dollars in thousands):

Capital expenditures in governmental funds capitalized on government-wide financial statements	\$ 22,853
Depreciation expense	<u>(7,767)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 15,086</u>

Another element of that reconciliation states that “the issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.” The details of this \$3,638,000 difference are as follows (dollars in thousands):

Debt principal payments	\$ 3,710
Amortization of debt issuance costs	<u>(72)</u>
Net adjustment to increase changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 3,638</u>

Some expenses are reported in the Statement of Activities when incurred and presented as expenditures in the governmental funds when paid. The details of this \$4,931,000 difference are as follows (dollars in thousands):

Additional capital outlay expense and loss on disposal	\$ 3,839
Materials purchased for Self Help Housing loans	1,069
Bond interest expense	<u>23</u>
Net adjustment to increase changes in fund balance - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 4,931</u>

Another element of that reconciliation states that “contributions of capital assets recorded as revenue in government-wide financial statements but not recorded at governmental fund level.” This amount is \$894,000.

The final element of that reconciliation states that “the internal service funds are used to account for those activities which provide services to other functions within the government. These costs are allocated to the governmental activities in the government-wide financial statements. This amount, \$263,000 is the net effect of the allocations.”

3. DEPOSITS AND INVESTMENTS

Custodial credit risk is the risk that in the event of a bank failure, the Nation’s deposits may not be returned. Cherokee Nation statute requires that funds be deposited in a financial institution insured either

by the Federal Deposit Insurance Corporation or Federal Savings and Loan Insurance Corporation. All balances in excess of insurance limits require pledged collateral from the financial institution. Deposits of the primary government are generally insured or covered by pledged collateral. At September 30, 2011, all deposits were insured or collateralized. Component units' deposits of \$4,235,000 at September 30, 2011 were uninsured and uncollateralized.

Investments

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

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

CNB'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 deposits and investments at September 30, 2011.

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. It is the Nation's policy to limit its investments in corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSRO's). The Nation's investments in U.S. agencies and Commercial paper were rated 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, \$7,582,000, or 56%, is invested in Fannie Mae securities and \$2,051,000 or 15%, is invested in Federal Home Loan Bank securities.

CNB and its component units' follow the investment policy of the Nation in determining investment choices. Deposits in money market mutual funds, which totaled \$3,036,000 at September 30, 2011, were rated AAA by Standard and Poor's.

Investments, categorized as to interest and credit risk, at September 30, 2011 were as follows (dollars in thousands):

<u>Investment Type</u>	Investment Maturities (in Years)					Credit Rating Moody's/S&P
	Fair Value	Less Than 1	1 - 5	6 - 10	More Than 10	
Primary Government:						
Money market mutual funds	\$ 3,288	\$ 3,288	\$ -	\$ -	\$ -	(1)
Government sponsored entities	<u>10,225</u>	<u>104</u>	<u>113</u>	<u>355</u>	<u>9,653</u>	Aaa/AA+
Total Primary Government	<u>\$ 13,513</u>	<u>\$ 3,392</u>	<u>\$ 113</u>	<u>\$ 355</u>	<u>\$ 9,653</u>	
Component Units:						
Money market funds	\$ 5,015	\$ 5,015	\$ -	\$ -	\$ -	(1)
Mutual funds	2,366	2,366				
Government obligations fund	1,060	1,060	-	-	-	Aaa/AA+
Government sponsored entities	<u>4,516</u>	<u>-</u>	<u>4,516</u>	<u>-</u>	<u>-</u>	Aaa/AA+
Total Component Units	<u>\$ 12,957</u>	<u>\$ 8,441</u>	<u>\$ 4,516</u>	<u>\$ -</u>	<u>\$ -</u>	

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

On August 5, 2011, Standard & Poor's Rating Services (S&P) lowered its long-term sovereign credit rating on the United States of America from AAA to AA+. At the same time, S&P affirmed its A-1+ short-term rating. On August 8, 2011, S&P also lowered its long-term credit ratings on the U.S. Government Sponsored Enterprises – the Federal National Mortgage Association (FNMA), the Federal Home Loan Mortgage Corporation (FHLMC), the Federal Home Loan Banks (FHLB), the Federal Farm Credit Banks (FFCB) and all other such U.S. Government Sponsored Enterprises – from AAA to AA+. The other two primary rating services, Moody's Investor Services and Fitch, have not lowered their ratings on the United States of America, and both of those services continue to give the United States their top ratings.

Instruments of this nature are key assets of the Nation's investment portfolio. Federal banking regulators continue to accept these instruments as top-tiered assets and have not adversely affected the market value of these securities. However, any additional future downgrade could subject the Nation to risks that we are not able to predict.

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

Investments as presented above:	\$ 13,513
Plus Certificates of Deposit reported as investments	7,370
Less Money market funds reported as Restricted Cash & Cash Equivalents & Investments	(28)
Less Money market funds reported as Cash & Cash Equivalents & Investments	(3,260)
Less Government sponsored entities reported as Restricted Cash & Cash Equivalents & Investments	<u>(2,247)</u>
Total investments	<u>\$ 15,348</u>

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

Investments as presented above:	\$ 12,957
Plus Certificates of Deposit reported as investments	17,298
Less Money market funds reported as Restricted Cash & Cash Equivalents & Investments	<u>(4,630)</u>
Total investments	<u>\$ 25,625</u>

Restricted Cash, Cash Equivalents and Investments

Restricted cash, cash equivalents and investments and reserved cash at September 30, 2011 included the following (dollars in thousands):

Primary Government

Tenant security deposits held in trust, replacement reserves and mortgage escrow deposits for Tsa-La-Gi	\$ 336
Capital replacement, closure and postclosure care costs of the Landfill Closure fund	2,477
Balance in Motor Fuel Tax Education Trust	27,846
Scholarship funds	502
Arkansas River Drybed Lands Settlement	2,275
Balance of funds accumulated for Debt service payments	1,740
Unspent loan proceeds in the Capital Projects fund for construction of the Vinita Clinic	20,490
District Court escrow account	<u>11</u>
Total Primary Government restricted cash, cash equivalents and investments	<u>\$ 55,677</u>

Component Units

Escrow relating to the Title VI loan with a bank (see Note 8)	\$ 2,573
HACN's lease-to-own homeownership program monthly equity payments	6,380
Pari-mutuel horse racing activities funds	4,301
CNB cash held for contingency payments related to acquisitions	750
CNB cash related to federal grants	1,460
CNWM escrow for guarantee of payment on construction contracts	28
CNF endowment funds	1,612
CNHS endowment for capital improvements	<u>64</u>
Total Component Unit restricted cash, cash equivalents and investments	<u>\$ 17,168</u>

4. RECEIVABLES

Receivables for primary government at September 30, 2011 consisted of the following (dollars in thousands):

	Receivable	Receivable	Receivable	Total	Receivable
Governmental Receivables:					
General					
Motor fuel taxes	\$ -	\$ 2,073	\$ 59	\$ 2,132	\$ -
Other taxes	-	35	-	35	-
Other accounts receivable	-	377	-	377	-
Special Revenue Funds	5,965	10,018	86	16,069	1,131
Other - Internal Service Funds	-	28	-	28	-
Receivables of Governmental Activities	<u>\$ 5,965</u>	<u>\$ 12,531</u>	<u>\$ 145</u>	<u>\$ 18,641</u>	<u>\$ 1,131</u>
Business-type Activities:					
Notes receivable, current	\$ -	\$ -	\$ -	\$ -	\$ 3,079
Long term notes receivable	-	-	-	-	15,361
	-	-	-	-	18,440
Less: Allowance for uncollectables	-	-	-	-	(330)
Receivables of Business-type Activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,110</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, 2011 consisted of the following (dollars in thousands):

	Component Units							Total
	CNB	HACN	CNCCA	CNHHS	CNWM	CNF	CNHS	
Receivables:								
Accounts	<u>\$ 32,969</u>	<u>\$ 221</u>	<u>\$ -</u>	<u>\$ 340</u>	<u>\$ 87</u>	<u>\$ 26</u>	<u>\$ 117</u>	<u>\$ 33,760</u>
Interest	-	399	-	-	-	-	-	399
Notes	<u>1,313</u>	<u>22,093</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,406</u>
	1,313	22,492	-	-	-	-	-	23,805
Less: Allowance for uncollectables	<u>(785)</u>	<u>-</u>	<u>-</u>	<u>(10)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(795)</u>
Receivables, net	<u>\$ 33,497</u>	<u>\$ 22,713</u>	<u>\$ -</u>	<u>\$ 330</u>	<u>\$ 87</u>	<u>\$ 26</u>	<u>\$ 117</u>	<u>\$ 56,770</u>

Mortgages Receivable – Title VI

HACN has mortgages receivable at September 30, 2011 totaling \$21,811,000 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, 2011 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, 2011, the current and non-current portions of these mortgages receivable were

\$569,000 and \$21,242,000, 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, 2011 consisted of the following (dollars in thousands):

Category and Fund	Transfers from Other Funds	Transfers to Other Funds
Governmental Activities:		
Governmental Funds:		
General	\$ 638	\$ (1,766)
Self Governance DOI Roads	-	(183)
Department of Transportation	-	(89)
Self Governance DHHS	-	(4,110)
Housing & Urban Development	459	(431)
Capital Projects Fund	3,249	-
Nonmajor Governmental Funds	4,241	(2,814)
Total Governmental Funds	8,587	(9,393)
Total Governmental Activities	8,587	(9,393)
Business-type Activities:		
Proprietary Funds:		
Nonmajor Enterprise Funds	806	-
Total Proprietary Funds	806	-
Total Business-type Activities	806	-
Total Primary Government	\$ 9,393	\$ (9,393)
Reconciliation to Government-Wide Statement of Activities:		
Governmental Activities:		
Transfers In	\$ 8,587	
Transfers Out	(9,393)	
Net Transfer Governmental Activities		\$ (806)
Business-type Activities:		
Transfers In	\$ 806	
Transfers Out	-	
Net Transfer Business-type Activities		\$ 806

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.

During the year ended September 30, 2011, the Self Governance DHHS Fund recorded a transfer of approximately \$3 million to the Capital Projects Fund to reflect a commitment to provide funding for the planned construction of a clinic in Vinita, Oklahoma and other health clinic projects.

Interfund balances at September 30, 2011 consisted of the following (dollars in thousands):

Category and Fund	Due from Other Funds	Due to Other Funds
Governmental Activities:		
Governmental Funds:		
General	\$ 13,553	\$ 4,937
Self Governance DOI Roads	-	206
Department of Transportation	-	1,703
Self Governance DHHS	-	27,983
Housing & Urban Development	-	1,572
Capital Projects Fund	9,796	-
Nonmajor Governmental Funds	-	8,039
Total Governmental Funds	<u>23,349</u>	<u>44,440</u>
Internal Service Funds	<u>25,939</u>	<u>2,775</u>
Total Governmental Activities	<u>49,288</u>	<u>47,215</u>
Business-type Activities:		
Proprietary Funds:		
Title VI Loan Fund	-	2,150
Nonmajor Enterprise Funds	80	3
Total Proprietary Funds	<u>80</u>	<u>2,153</u>
Total Business-type Activities	<u>80</u>	<u>2,153</u>
Total Primary Government	<u>\$ 49,368</u>	<u>\$ 49,368</u>
Reconciliation to Government-Wide Statement of Net Assets:		
Governmental Activities:		
Due from Other Funds	\$ 49,288	
Due to Other Funds	<u>(47,215)</u>	
Net Internal Balances		<u>\$ 2,073</u>
Business-type Activities:		
Due from Other Funds	\$ 80	
Due to Other Funds	<u>(2,153)</u>	
Net Internal Balances		<u>\$ (2,073)</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, 2011 (dollars in thousands):

	Governmental Funds	Internal Service Funds	Component Units
Finished goods and raw materials	\$ 212	\$ -	\$ 19,328
Food for distribution	682	-	-
Pharmaceuticals and supplies	<u>2,809</u>	<u>160</u>	<u>95</u>
	3,703	160	19,423
Less inventory reserves	<u>-</u>	<u>-</u>	<u>(5,058)</u>
Total inventories	<u>\$ 3,703</u>	<u>\$ 160</u>	<u>\$ 14,365</u>

The majority of the component unit inventory at September 30, 2011 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, 2011 follows (dollars in thousands):

Governmental Activities

	Balance, September 30, <u>2010</u>	<u>Additions</u>	<u>Reductions</u>	Balance, September 30, <u>2011</u>
Activity by Major Class				
Capital assets, not being depreciated:				
Land	\$ 15,665	\$ 137	\$ -	\$ 15,802
Construction in process	1,642	14,895	(178)	16,359
Total capital assets, not being depreciated	<u>17,307</u>	<u>15,032</u>	<u>(178)</u>	<u>32,161</u>
Capital assets being depreciated:				
Buildings and improvements	82,116	2,807	-	84,923
Equipment	40,863	8,212	(1,402)	47,673
Land improvements	806	-	-	806
Total capital assets being depreciated	<u>123,785</u>	<u>11,019</u>	<u>(1,402)</u>	<u>133,402</u>
Less accumulated depreciation for:				
Buildings and improvements	(15,451)	(2,359)	-	(17,810)
Equipment	(23,989)	(5,373)	1,292	(28,070)
Land improvements	(85)	(35)	-	(120)
Total accumulated depreciation	<u>(39,525)</u>	<u>(7,767)</u>	<u>1,292</u>	<u>(46,000)</u>
Total capital assets being depreciated, net	<u>84,260</u>	<u>3,252</u>	<u>(110)</u>	<u>87,402</u>
Activity by major class capital assets, net	<u>\$ 101,567</u>	<u>\$ 18,284</u>	<u>\$ (288)</u>	<u>\$ 119,563</u>

Depreciation expense was charged to functions as follows:

Governmental activities:

Tribal Government	\$ 2,025
Health Services	4,266
Education Services	431
Human Services	257
Community Services	<u>788</u>

Total Governmental activities depreciation expense \$ 7,767

Business-type Activities

	Balance, September 30, <u>2010</u>	<u>Additions</u>	<u>Reductions</u>	Balance, September 30, <u>2011</u>
Capital assets, not being depreciated - Land	\$ 81	\$ -	\$ -	\$ 81
Capital assets being depreciated:				
Buildings and improvements	<u>1,888</u>	<u>-</u>	<u>-</u>	<u>1,888</u>
Total capital assets being depreciated	<u>1,888</u>	<u>-</u>	<u>-</u>	<u>1,888</u>
Less accumulated depreciation for:				
Buildings and improvements	<u>(1,324)</u>	<u>(57)</u>	<u>-</u>	<u>(1,381)</u>
Total accumulated depreciation	<u>(1,324)</u>	<u>(57)</u>	<u>-</u>	<u>(1,381)</u>
Total capital assets being depreciated, net	<u>564</u>	<u>(57)</u>	<u>-</u>	<u>507</u>
Business-type activities capital assets, net	<u>\$ 645</u>	<u>\$ (57)</u>	<u>\$ -</u>	<u>\$ 588</u>

<u>Component Unit Activities</u>	<u>Balance, September 30, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance, September 30, 2011</u>
CNB and HACN:				
Capital assets, not being depreciated:				
Land	\$ 42,145	\$ 3,144	\$ (1,481)	\$ 43,808
Construction in progress	6,331	33,031	(27,090)	12,272
Artwork	<u>1,459</u>	<u>268</u>	<u>(1)</u>	<u>1,726</u>
Total capital assets not being depreciated	<u>49,935</u>	<u>36,443</u>	<u>(28,572)</u>	<u>57,806</u>
Capital assets being depreciated:				
Buildings and improvements	507,671	9,408	(12,845)	504,234
Machinery and equipment	<u>162,242</u>	<u>20,464</u>	<u>(6,348)</u>	<u>176,358</u>
Total capital assets being depreciated	<u>669,913</u>	<u>29,872</u>	<u>(19,193)</u>	<u>680,592</u>
Less accumulated depreciation for:				
Buildings and improvements	(106,202)	(17,078)	6,549	(116,731)
Machinery and equipment	<u>(90,164)</u>	<u>(23,377)</u>	<u>2,942</u>	<u>(110,599)</u>
Total accumulated depreciation	<u>(196,366)</u>	<u>(40,455)</u>	<u>9,491</u>	<u>(227,330)</u>
Total capital assets being depreciated, net	<u>473,547</u>	<u>(10,583)</u>	<u>(9,702)</u>	<u>453,262</u>
CNB and HACN activities capital assets—net	<u>523,482</u>	<u>25,860</u>	<u>(38,274)</u>	<u>511,068</u>
Other Component Unit activities – CNHHS, CNCCA, CNWM and CNHS capital assets, net	<u>12,695</u>	<u>(2,257)</u>	<u>(17)</u>	<u>10,421</u>
Total of the Component Unit activities—capital assets, net	<u>\$ 536,177</u>	<u>\$ 23,603</u>	<u>\$ (38,291)</u>	<u>\$ 521,489</u>

8. LONG-TERM DEBT

Long-term debt activity for the year ended September 30, 2011 was as follows (dollars in thousands):

<u>Governmental Activities</u>	<u>Balance,</u> <u>September 30,</u>			<u>Balance,</u> <u>September 30,</u>		
	<u>2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>2011</u>	<u>Current</u> <u>Portion</u>	<u>Long-Term</u> <u>Portion</u>
Notes Payable						
3.7% Note payable to Bank of America. See (1) below.	\$ 1,517	\$ -	\$ (552)	\$ 965	\$ 573	\$ 392
Note payable to BOK in fixed principal payments. See (2) below.	23,733	-	(1,600)	22,133	1,600	20,533
Series 2006 Bonds payable with a pledge of revenues from Health Care System with semi-annual interest payments and annual principal and interest payments. Coupon rate ranges from 4.10% to 4.6%. Payments began December 2007 and bonds mature beginning December 2011. See (3) below.	21,970	-	(1,660)	20,310	1,725	18,585
2.5% Note Payable to Chase Bank. See (4) below.	156	-	(156)	-	-	-
Capital Leases						
Capital leases payable to BOKF Equipment Finance, Inc. with monthly payments of \$26 including interest of 3.55% due in March 2013. Secured by related equipment	<u>729</u>	<u>-</u>	<u>(294)</u>	<u>435</u>	<u>304</u>	<u>131</u>
Total long-term debt	<u>\$ 48,105</u>	<u>\$ -</u>	<u>\$ (4,262)</u>	<u>\$ 43,843</u>	<u>\$ 4,202</u>	<u>\$ 39,641</u>

- (1) In May 2003, the Nation entered into a \$5,000,000 financing agreement with a bank to fund capital improvement projects and to re-finance the 1992 Series Revenue Bonds. This note bears interest at 3.7% per annum, in monthly principal and interest installments of \$49,913 with final payment due in May 2013.
- (2) This note, along with additional funding from the SG DHHS Fund, will provide the funding for the construction of a new clinic in Vinita. The revenues and expenditures relating to the construction of the new Vinita Clinic are being 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 1.25 basis points if the note is secured by U.S. Treasuries. At September 30, 2011, the Nation owned a \$24,875,000 certificate of deposit, which includes \$875,000 of interest earned on the certificate of deposit. This certificate of deposit is reported in the Nation's General Fund and is

used, in part, as collateral on the note, which had a balance of \$22,133,000 at September 30, 2011. 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.

The Vinita Clinic is being constructed and will be 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 will plan, design, construct, equip, lease and operate the Vinita Clinic according to IHS specifications. The IHS will provide funds to staff and equip the facility in accordance with the joint venture agreement and the self-governance compact. The JVCP agreement provides that the Nation is responsible for constructing the Vinita Clinic. Upon completion of the Vinita Clinic, the IHS will enter into a “no-cost lease” with the Nation. The no-cost lease is not intended to convey any real property interest in the 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.

- (3) 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 3rd party revenue and a general obligation of the Nation. A monthly debt service reserve of approximately \$219,000 is transferred to the bond trustee, Bank of Oklahoma Trust Services. The bonds were insured through ACA Capital and carried a Standard & Poor’s “A” rating. The underwriter for the bond issuance was BOSCO, Inc., a subsidiary of BOK Financial Corporation.
- (4) Note payable to Chase Home Financial for a mortgage assumed in fiscal year 2010 in connection with a property acquired through an endowment. During fiscal year 2011, the property was sold, and the note was paid.

The balance of long-term debt for business-type activities at September 30, 2011 was \$15,301,000. The balance of Long-Term Debt for Component Units at September 30, 2011 was \$17,736,000. Long-term debt in the business-type activities and component units at September 30, 2011 consisted of the following (dollars in thousands):

<u>Business-type Activities</u>	<u>Balance,</u> <u>September 30,</u> <u>2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance,</u> <u>2011</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 (1) below.	\$ 16,585	\$ -	\$ (2,692)	\$ 13,893	\$ 1,854	\$ 12,039
Tsa-La-Gi Apartments						
6.875% note payable to the U.S. Department of Housing & Urban Development (HUD) in monthly installments of \$10 including interest, with final payment due 2012, secured by certain land and buildings.	188	-	(114)	74	74	-
Economic Development Trust Authority						
Agriculture in variable annual installments including interest of 1% annual, with final payment due August 2034.	<u>1,396</u>	<u>-</u>	<u>(62)</u>	<u>1,334</u>	<u>23</u>	<u>1,311</u>
Total	<u>\$ 18,169</u>	<u>\$ -</u>	<u>\$ (2,868)</u>	<u>\$ 15,301</u>	<u>\$ 1,951</u>	<u>\$ 13,350</u>

- (1) In July 2002, the Nation entered into a \$50,000,000 loan agreement, 95% guaranteed by United States Department of Housing and Urban Development. The loan proceeds are divided into two separate “pools” which carry different interest rates over the life of the loan. Pool A, with a balance at September 30, 2011 of \$1,474,000 carries an interest rate of 6.7%. Pool B, with a balance at September 30, 2011 of \$12,419,000 carries a variable interest rate, reset monthly, and derived from the 30 day LIBOR + 70 basis points, which at September 30, 2011 was 0.92%. Pool A is repayable in monthly principal payments of \$54,358 through January 1, 2014, plus interest. Pool B requires monthly principal payments of \$100,150 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 \$2,500,000. These securities are being pledged as collateral for the Title VI loan to cover the portion of the loan balance not guaranteed by HUD. The interest and dividends generated on these securities remains the property of the HACN. As collateral for the Title VI loan, the Nation has pledged all current and future grants for which the borrower becomes eligible under NAHASDA as well as program income directly generated from the use of the loan proceeds, program income derived from the sale or lease of real property acquired, rehabilitated or constructed with loan proceeds, and the securities deposited to the Pledge Account. Any program income generated from the above is required to be deposited into a “Loan Repayment Account” to serve as an additional source of payment of principal and interest related to the Title VI loan. The Nation’s note receivable from HACN at September 30, 2011 was \$13,893,000, of which, \$1,854,000 is included in notes receivable current and \$12,039,000 is reflected as long term notes receivable in the government-wide statement of net assets as well as at the Proprietary Fund level.

<u>Component Units</u>	<u>Balance,</u>			<u>Balance,</u>		
	<u>September 30,</u>			<u>September 30,</u>	<u>Current</u>	<u>Long-Term</u>
	<u>2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>2011</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 \$155 with interest calculated on the outstanding balance each month. See (1) below.	\$ 16,585	\$ -	\$ (2,692)	\$ 13,893	\$ 1,854	\$ 12,039
Note payable to bank in fixed monthly payments of \$2 including principal and interest. Interest calculated at 6.75% annual with final final payment due February 2021. See (2) below.	119	-	(9)	110	9	101
Assumable Mortgage Program (*AMP*) - loans for use in the purchase of homes provided to program participants. Interest rates vary from 6.25% to 7% and are payable in monthly installments over thirty (30) years. See (3) below.	1,842	-	(106)	1,736	26	1,710
Cherokee Nation Businesses ("CNB")						
Effective April 4, 2002, CNB and a creditor restructured an existing trade payable initiated in fiscal year 2001 for inventory purchases totaling approximately \$8 to a long-term promissory note in 2005. The note is payable monthly with interest at 4% and is due in 2011.	58	-	(58)	-	-	-
CNB entered into a \$125,000 revolving syndicated credit agreement and a reducing term facility to fund expansions at CNE, diversification efforts at CNB, and operating and capital needs of other CNB subsidiaries. (See Note 11 Lines of Credit).	18,000	11,000	(29,000)	-	-	-
Note payable is due March 12, 2012; payable in monthly installments of \$7 at a stated interest rate of 6% annually secured by equipment.	-	97	(59)	38	38	-
Cherokee Nation Comprehensive Care Agency ("CNCCA")						
Note payable to CNB to finance building and secured by same at 6.5%, principal and interest payments of \$9 due monthly beginning May 2008 and ending April 2018, at which time any remaining principal is due and payable.	1,352	-	(18)	1,334	19	1,315
Notes payable to finance vehicles secured by the vehicles at various principal and interest of \$1 due monthly from July 2008 and ending August 2014.	94	-	(31)	63	28	35
Cherokee Nation Home Health Service ("CNHHS")						
Bank note payable dated June 7, 2006 in the original amount of \$372 has monthly payments of \$3, including interest at 8% and matures June 7, 2012, secured by a building and land. See (4) below.	330	-	(13)	317	317	-
Bank note payable dated December 5, 2007 in the original amount of \$54 has monthly payments of \$1, including interest at 8% and matures November 8, 2012 secured by a building.	35	-	(7)	28	8	20
Bank note payable dated October 31, 2008, with a maximum amount of \$125 payable in four monthly payments of interest at 7% through February 28, 2009 followed by monthly payments of \$3, maturing February 28, 2013 secured by certain equipment.	79	-	(79)	-	-	-
Bank note payable dated April 30, 2010, with a maximum amount of \$125 payable in four monthly payments of interest at 7% through August 30, 2010 followed by monthly payments of \$3, maturing April 30, 2014 secured by certain equipment.	122	-	(122)	-	-	-
Bank note payable dated October 14, 2010, in the original amount of \$201 has monthly payments of \$6, including interest at 5.5%, maturing September 30, 2013. The note was used to refinance bank notes and is secured by certain equipment.	-	201	(64)	137	67	70
Cherokee National Historical Society, Inc ("CNHS")						
Bank note payable dated August 12, 2010 in the original amount of \$130 and is a single pay note due August 12, 2013. Interest is variable equal to BOK Financial Corp Index.	-	130	(50)	80	-	80
Total	\$ 38,616	\$ 11,428	\$ (32,308)	\$ 17,736	\$ 2,366	\$ 15,370

- (1) HACN, during fiscal year 2011, did not receive any loan advances for the Title VI program. This resulted in a cumulative amount of funds drawn on the available loan funds of \$33,231,000. The loan is divided into two separate “pools” which carry different interest rates over the life of the loan. Pool A, whose balance at September 30, 2011 was \$1,474,000 carries an interest rate of 6.7%. Pool B, whose balance at September 30, 2011 was \$12,419,000 carries a variable interest rate reset monthly, derived from the 30 day LIBOR + 70 basis points, which at September 30, 2011 was 0.96%. Pool A is repayable in monthly principal payments of \$54,000 through May 1, 2022, plus interest. Pool B principal payments of \$100,000 began March of 2005 and are scheduled through June 1, 2022, plus interest. During fiscal year 2011, HACN made total principal payments on Pool A of \$1,490,000 and on Pool B of \$1,202,000. As collateral for the loan, HACN has pledged all current and future grants, for which the borrower becomes eligible under NAHASDA, as well as income directly generated from the use of loan proceeds, program income derived from the sale or lease of real property acquired, rehabilitated or constructed with loan proceeds, 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.
- (2) During fiscal year 2006, HACN borrowed \$152,000 for its costs related to the Claremore QuadPlex project. The loan is repaid in monthly payments, beginning February 1, 2006, of \$1,300 including principal and interest. The loan carries an interest rate of 6.75%. The final payment will be made on February 1, 2021. At September 30, 2011 the loan balance was \$110,000.
- (3) During fiscal year 2007, HACN began its Assumable Mortgage Program. In fiscal year 2011, HACN did not take out any new loans for use in the purchase of 25 total homes provided to program participants. Interest rates on the loans vary from 5.50% to 7.25% and are payable in monthly installments over thirty years. At September 30, 2011, the loan balance was \$1,736,000.
- (4) CNHHS renewed a promissory note and security agreement with a bank in June 2006 totaling \$371,261 has 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. 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, 2011 was \$317,000.

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:			
2012	4,202	1,585	5,787
2013	3,918	1,430	5,348
2014	3,475	1,293	4,768
2015	3,555	1,160	4,715
2016	2,400	1,051	3,451
2017 through 2021	17,505	3,558	21,063
2022 through 2026	8,788	441	9,229
Total	<u>\$ 43,843</u>	<u>\$ 10,518</u>	<u>\$ 54,361</u>
Business-type Activities:			
2012	1,951	727	2,678
2013	1,915	636	2,551
2014	1,433	548	1,981
2015	1,264	489	1,753
2016	1,264	430	1,694
2017 through 2021	6,331	1,088	7,419
2022 through 2026	740	102	842
2027 through 2031	308	214	522
2032 through 2036	95	2	97
Total	<u>\$ 15,301</u>	<u>\$ 4,236</u>	<u>\$ 19,537</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
2009	\$4,673	\$8,347	(\$7,324)	\$5,696
2010	\$5,696	\$8,879	(\$8,337)	\$6,238
2011	\$6,238	\$9,671	(\$9,342)	\$6,567

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

10. INTEREST RATE SWAP AGREEMENT

In connection with the issuance of a \$24,000,000 note payable (see footnote 2 on page 64 – 65), 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 \$22,133,000 at September 30, 2011. 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, 2011, the agreement had a fair value of \$1,247,000 calculated using the par-value method, i.e., the fixed rate on the swap was compared with the current fixed rates that could be achieved in the marketplace should the swap be unwound. The fixed-rate component was valued by discounting the fixed-rate cash flows using the current yield to maturity of a comparable note. The variable-rate component was assumed to be at par value because the interest rate resets to the market rate at every reset date. The fair value was then calculated by subtracting the estimated market value of the fixed component from the established market value of the variable component. The fair value of the agreement

is recognized as other noncurrent liabilities in the Nation's government-wide statement of net assets. The fair value of the swap of \$1,247,000 is shown as a deferred outflow on the statement of net assets.

Credit Risk

The swap's fair value represented the Nation's credit exposure to the counterparty as of September 30, 2011. 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, 2011, 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, 2011. 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, 2011 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	
	Principal	Interest	Rate	Total
			Swap, Net	
2012	\$1,600,000	\$246,000	\$442,000	\$2,288,000
2013	1,600,000	227,000	407,000	2,234,000
2014	1,600,000	208,000	375,000	2,183,000
2015	1,600,000	190,000	342,000	2,132,000
2016	1,600,000	172,000	310,000	2,082,000
2017 – 2025	<u>14,133,000</u>	<u>722,000</u>	<u>1,298,000</u>	<u>16,153,000</u>
	<u>\$22,133,000</u>	<u>\$1,765,000</u>	<u>\$3,174,000</u>	<u>\$27,072,000</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 2011 was \$12,000. The current agreement is set to expire on September 30, 2012, 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 May 9, 2008, CNB entered into a \$125 million revolving syndicated credit agreement (Facility A) and a reducing term facility (Facility B) (collectively, the Facility). The proceeds from the Facility are to be used primarily to fund expansions at CNE, fund diversification efforts at CNB and fund the operating and capital needs of other CNB subsidiaries. CNE guarantees the Facility. In addition, the Facility is collateralized by CNE cash flows and substantially all of CNE's assets. Facility B matured in 2009. The following is a description of facility A:

Facility A – Facility A is a syndicated revolving facility totaling \$125 million which includes a \$20,000,000 letter of credit arrangement. The facility bears interest at a base rate (the higher of the fed funds rate plus 50 basis points or the administrative agent's prime rate) or the LIBOR plus 1.25% or 1.50%, depending on CNE's leverage ratio. Facility A has quarterly unused commitment fees, ranging from 0.25% to 0.50%, depending on the level of utilization of the facility. The facility reduces \$3,100,000 a quarter, beginning with the quarter ending June 30, 2010. Facility A matures on June 30, 2013. At September 30, 2011, CNB had no outstanding borrowings under Facility A. In addition, CNB had letters of credit outstanding totaling \$4,600,000 at September 30, 2011. CNB's availability under Facility A was approximately \$101,700,000 at September 30, 2011.

CNHHS obtained a new 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, 2011 was \$233,000.

12. TRUST LIABILITY

The HACN has several lease-to-own homebuyer programs wherein the tenant/homebuyer may eventually purchase the house in accordance with contractual agreements. These transactions are similar to a financing lease, however are not accounted for as such as the amount and ability to collect the minimum lease payments is not predictable. Until the time of transfer, these homes remain the property of the HACN. The costs of those units are depreciated over the expected term of payoff at the time of the original agreement, generally 25 years. When the home is paid off in accordance with the agreements and title is transferred to the homebuyer, a gain or loss is recognized by HACN. For the year ended September 30, 2011, a gain of \$382,765 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 \$6,408,000 as of September 30, 2011. This along with other credits to these tenant/homebuyers totaled \$7,191,000 at

September 30, 2011. 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, 2011, other amounts included in this category include escrow deposits held by the HACN associated with the Title VI program mortgages totaling \$23,000, and low income housing tenants' security deposits of \$58,000.

13. FUND BALANCE CLASSIFICATION

In fiscal year 2011, the Nation adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes criteria for classifying fund balances into specifically defined categories and clarifies the existing governmental fund type definitions to improve the comparability of governmental fund financial statements. The details for the Nation's fund balances are as follows:

	Major Special Revenue Funds							
	General Fund	Department of Transportation	Self Governance DHHS	Housing & Urban Development	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds	
Fund balances:								
Nonspendable:								
Inventory & prepaid assets	\$ -	\$ -	\$ 11,094	\$ 212	\$ -	\$ -	\$ -	\$ 11,306
Permanent fund principal	-	-	-	-	-	487	-	487
Restricted for:								
Capital Projects	-	-	-	-	20,490	-	-	20,490
Federal, State and Private Grants	-	76	34,487	3,202	-	15,901	-	53,666
Debt Service	-	-	-	-	-	1,696	-	1,696
Education, Roads, Safety (MVT)	7,865	-	-	-	-	-	-	7,865
Education, Roads, Health, Safety (MFT)	31,582	-	-	-	-	-	-	31,582
Committed for:								
Cultural Tourism	5,917	-	-	-	-	-	-	5,917
TERO Job Training Programs	436	-	-	-	-	-	-	436
Assigned to:								
Budgetary Resources for Subsequent Year	10,181	-	-	-	-	-	-	10,181
Capital Projects	-	-	-	-	9,796	-	-	9,796
Housing Programs	1,146	-	-	-	-	-	-	1,146
Unassigned:*	6,234	-	-	-	-	-	-	6,234
Total fund balances	\$ 63,361	\$ 76	\$ 45,581	\$ 3,414	\$ 30,286	\$ 18,084	\$ -	\$ 160,802

* 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 \$1,256,000 of the unassigned fund balance was set aside to meet the \$6,256,000 reserve.

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 \$2,604,000 reported as Landfill Closure and Postclosure Care Liability at September 30, 2011 (included in Other Noncurrent Liabilities), represents the cumulative costs recognized to date based on the existing use of 38% of the total estimated capacity of the landfill. Landfill Closure will recognize the remaining estimated cost of closure and postclosure care of approximately \$4,201,000 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 2011. 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 8.8 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. Total payments from CNWM for fiscal year 2011 were approximately \$105,000.

The Nation makes annual contributions to a restricted bank account to finance closure and postclosure care. At September 30, 2011, restricted cash, cash equivalents and investments of approximately \$2,477,000 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 \$150,000 per year per employee. Amounts over \$150,000 are subject to reimbursement by the insurance company.

The Nation is self-insured against employee health and short-term disability claims incurred under its employee group health disability plan. The maximum liability risk to the Nation is \$150,000 per employee per year for employee health. Any claims in excess of this limit are covered by insurance. Significant insurable exposures other than health claims are covered by commercial insurance. For insured exposures, there were no significant reductions in insurance coverage during the year ended

September 30, 2011. Additionally, settlement amounts have not been in excess of insurance coverage in each of the past three years.

The Nation's reported employee health claims liability of \$2,413,000 at September 30, 2011, 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
2009	\$1,861	\$17,435	(\$16,696)	\$2,600
2010	\$2,600	\$18,491	(\$18,767)	\$2,324
2011	\$2,324	\$19,819	(\$19,730)	\$2,413

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

Workers' Compensation benefits are provided within the All Lines Aggregate program described below. There is \$100,000 retention with a maximum benefit of \$5,000,000 for each occurrence. Employers Liability has a \$5,000,000 per person/claim limit, and Crime coverage has a \$1,000,000 each loss limit with a Retroactive date of October 1, 2003. Excess Crime coverage is in place with a lower deductible of \$25,000.

The first \$100,000 of risk is retained with the All Lines Aggregate program responding to losses over the \$100,000 retention 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 All Lines Aggregate 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, Medical Malpractice including Hospital/Clinic Malpractice, Host and/or Liquor Liability, Innkeepers Liability, Automobile Liability including Non-Owned Automobile Liability, Auto Medical Payments, Uninsured and Underinsured Motorists. The following coverage lines have a limit of \$10,000,000 each occurrence and in the Aggregate: Police or Law Enforcement Officials Liability, Tribal Officials Liability, Errors and Omissions Liability, Employee Benefit Liability, and Employment Practices Liability. Retroactive coverage is provided for all coverage lines within this class with an October 1, 2003 Retroactive Date.

CNB and its blended component units provide employee health coverage under self-insured group health plans. The maximum liability amount for CNB and these component units range from \$75,000 to \$200,000 per employee per year. Any claims in excess of these limits are covered by stop-loss insurance. The accrual is estimated based on consideration of prior claims experience, recently settled claims,

frequency of claims and other economic and social factors. It is reasonably possible the estimates will change by a material amount in the near term. Information concerning the changes in the CNB self-insurance medical liability follows (dollars in thousands):

Fiscal Year	Balance at Beginning of Year	Claims and Changes in Estimates	Claim Payments	Balance at End of Year
2009	\$1,820	\$19,899	(\$18,859)	\$2,860
2010	\$2,860	\$23,675	(\$23,563)	\$2,972
2011	\$2,972	\$22,958	(\$22,557)	\$3,373

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 Reliance Trust Company, as trustee. A defined contribution plan provides retirement benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined. Under a defined contribution plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account. All regular full-time and regular part-time employees who have attained at least 18 years of age are eligible to participate in the plan upon employment. The plan year is January 1 through December 31. Participants become fully vested after four years of participation in the plan. Employees may contribute from 1% to 25% of their gross salary, and after 6 months of service the Nation will match 100% for the first 5% and 50% of the next 4%. The plan is administered by the Group Leader of Human Resources, with input from the Nation's Pension Committee. The Pension Committee consists of the plan administrator and employees of the Nation. The plan administrator is responsible for amending the plans' provisions, including contribution requirements.

The Nation's primary government's total gross payroll for fiscal year 2011 was approximately \$134,895,000, which included approximately \$134,161,000 for employees covered by the plan. Contributions to the 401(k) plan for 2011 were approximately \$10,329,000. Contributions expressed in dollars and percent of covered payroll were: Nation \$4,416,000, 4.3% and participants \$5,913,000, 5.7%. The Nation's required contribution and percentage of contribution for fiscal year 2011 and the two preceding years follows:

(dollars in thousands)

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Percentage Contribution</u>
2009	\$3,627	100%
2010	\$4,007	100%
2011	\$4,416	100%

In 2004 the Nation sponsored a deferred compensation 457(B) plan, which utilizes Nationwide Trust Company, FSB as trustee. A deferred compensation plan provides retirement benefits and provides an individual account for each participant, and specifies how contributions to the individual's account are to

be determined. Under a deferred compensation plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account and the returns earned on investments of those contributions. The 457(b) plan mirrors the 401(k) eligibility requirements and also allows participation of elected officials. The plan year is January 1 through December 31. Participants become fully vested after four years of participation in the plan. Employees may contribute up to 100% of their gross salary, and after 6 months of service the Nation will match 100% for the first 5% and 50% of the next 4%, not to exceed a total combined match of 7% in all retirement plans. The plan is administered by the Group Leader of Human Resources, with input from the Nation's Pension Committee. The Pension Committee consists of the plan administrator and employees of the Nation. The plan administrator is responsible for amending the plans' provisions, including contribution requirements. Contributions to the 457(b) plan for 2011 were \$304,000 of which \$75,000 was required and made by the Nation and \$229,000 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 must elect to contribute from 1% to 25% of their eligible compensation of which CNB and these component units will match 100% of the first 6%. During 2011, participating employees contributed \$5,300,000 to the Plan.

Prior to February 1, 2011, employees of CNI and certain of its component units were eligible to contribute to a 401(k) savings plan covering substantially all full and part time employees of these companies. Effective February 1, 2011, these employees became eligible to participate in the CNB Plan. One the same date, CNI's plan was frozen to further contributions. Effective February 1, 2012, CNI 401(k) balances were merged into the CNB Plan. Prior to February 2011, contributions to the CNI plan were approximately \$329,000 for 2011.

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

Employees of CNGS and CNTS are eligible to participate in a new plan effective March 1, 2011. The plan 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 \$91,000 for 2011.

At September 30, 2011, liabilities under deferred compensation and long term incentive compensation arrangements for executives of CNB and its component units totaled approximately \$1,500,000.

CEC 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. CEC 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. CEC's total contributions for the year ended September 30, 2011 were approximately \$18,000. The plan also has a profit sharing provision. The amount of the profit sharing contribution is at the discretion of the board of CEC. Profit sharing contributions are fully vested after three years of participation. CEC made no profit sharing contributions for the year ended September 30, 2011.

17. RELATED PARTY TRANSACTIONS

The Nation requires monthly dividend payments from component units, organized under the Nation's laws, based on a percentage of net income (30% as of September 30, 2011). Dividend payments to the Nation by component units totaled \$30,074,000 (which includes an accrual of \$3,998,000) during 2011.

Cherokee Nation Businesses, LLC (CNB)

The Nation levies certain taxes and fees which apply to some of the Nation's component units. During 2011, the Nation collected a tribal tax on food and beverage, tobacco, merchandise and other retail sales from CNE totaling \$2,600,000. The Nation's Gaming Commission, which has regulatory oversight responsibility for gaming, collected fees of \$3,036,000 from CNE. The Nation also provides certain security services to CNE through the Nation's Marshal Service. In 2011, the Nation collected \$528,000 from CNE for services provided by the Marshals.

CNE recorded fees of approximately \$2,800,000 in 2011 to the Cherokee Nation Gaming Commission (CNGC). CNE had accrued fees payable to CNGC of \$339,000 at September 30, 2011.

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 provides funding for cultural development activities on behalf of the Nation. These activities involve restoring Cherokee landmarks as well as engaging in campaigns to inform the public of the Cherokee Nation's history and making contributions to communities within the Nation. During 2011, CNE incurred \$3,300,000 in operating and employee costs in addition to a \$2,100,000 capital grant awarded to the Nation for cultural development activities.

From time to time, CNB enters into agreements with the Nation to provide internal audit-related services. CNB has incurred expenses during the year and has outstanding receivables totaling \$76,000 as of and for the year ended September 30, 2011. Various additional services are provided to the Nation by CNB in the ordinary course of business for which CNB does not receive reimbursement from the Nation.

CNB has entered into an agreement with the Nation to reimburse expenses for outside consulting services provided on CNB's behalf. CNB has incurred expenses during the year and has outstanding payables totaling \$71,000 as of and for the year ended September 30, 2011.

Housing Authority of the Cherokee Nation (HACN)

On February 14, 2008, the Nation and HACN entered into a Memorandum of Agreement (MOA) for the purpose of designating the Nation as the entity to administer housing programs on behalf of the HACN effective May 1, 2008. This MOA applies to all activities and expenditures of the Nation that are made on behalf of the HACN and encompasses all funding sources of the HACN including but not limited to NAHASDA, Program Income, Non-Program Income, MEPA, Proceeds of Sale, and Operating Reserves. HACN will retain operations related to land title and oversight of the low income tax credit partnership projects. The MOA shall remain in effect until terminated. The HACN has a Board of Commissioners that continues to provide oversight and direction to the remaining activities of HACN. Proceeds of sale funds totaling \$1,500,000 were provided to the Nation during fiscal year 2011 to assist with the cost of administering the housing programs.

Cherokee National Historical Society, Inc (CNHS)

In November 2005, the Nation, CNE, and the CNHS entered into a Memorandum of Agreement to further the parties shared mission to preserve the culture and history of the Cherokees by assigning duties to the party that can best perform those duties. CNHS remained responsible for all charitable fundraising, maintaining memberships, operating the museum and teaching the Cherokee Humanities Course. In 2011, CNE provided marketing services, including group sales, and operation of the museum store at a net cost to CNE of \$203,000. The Nation performed all remaining operational and educational functions such as accounting, purchasing, contracts, human resources, information technology, and facilities maintenance. The Memorandum of Agreement is renewable annually upon agreement of the entities involved. For fiscal year 2011, the Nation's general fund included operational expenses of \$992,000 for the Cherokee Nation Historical Society.

18. COMMITMENTS AND CONTINGENCIES

Citizenship Litigation

The Nation held a special election on March 3, 2007 regarding criteria for citizenship in the Cherokee Nation. The results of that election were that citizenship is now limited to those individuals who had an Indian ancestor on the Dawes Rolls. 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 and that matter is on appeal to the Circuit Court of Appeals. There remains pending an action on the merits of the claims in the Northern District of Oklahoma. 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 audit by agents of the granting authority, the purpose of which is to insure compliance with conditions precedent with the granting of funds. Management does not believe any liability for reimbursement which may arise as the result of these audits will be material.

United Keetoowah Band/Arkansas River Drybed Settlement Claim

The United Keetoowah Band of Cherokee Indians of Oklahoma filed a claim in the United States Court of Claims, alleging that it was entitled to a portion of the funds from the Arkansas Riverbed Settlement Act passed by Congress. The legal proceedings, in the opinion of management, based on available information, are not likely to have a material adverse impact on the affected funds of the Nation.

Other Legal Contingencies

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

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 is party to a volume software license agreement with a vendor requiring annual payments of approximately \$610,000. The agreement expires in 2013.

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

CNE has entered into a motor fuel marketing agreement with a vendor to purchase motor fuel products for sale at the Roland Travel Plaza in Roland, Oklahoma, which opened in May 2007. The agreement is effective the first day of the month following completion and continues for a period of 10 years. Total purchases under this agreement were \$7,200,000 in 2011.

In 2004, CNE acquired Will Rogers Downs, LLC from an unrelated party. As part of the purchase price, CNE agreed to pay an additional \$1,300,000 when, and if, the property is placed into Trust Status with the Bureau of Indian Affairs and could be required to make additional payments based on the cash flows generated by the operation of the facility. These additional payments will be capitalized when, and if, made and depreciated, as applicable, over the remaining economic life of the property. No additional payments as described above have been required since the acquisition.

In November 2008, CNE entered into a licensing agreement with Hard Rock Hotel Holding, LLC and HRHH IP, LLC. Under the terms of the agreement, CNE branded its Catoosa property under the Hard Rock Hotel and Casino name effective August 2009. CNE is required to make annual license payments based on a percentage of Catoosa property revenues, as defined in the agreement, with a minimum annual payment of \$5,000,000 for each of the first three years. CNE recognizes the portion of the minimum fee paid each month that exceeds the calculated amount as an intangible asset. The intangible asset is being amortized over the 12-year life of the license agreement. During 2011, CNE paid approximately \$5,000,000 in license fees, of which \$1,800,000 was recognized as license fee expense and is included in operating expense in the statement of revenues, expenses and changes in net assets. In addition to paying a license fee under the Hard Rock license agreement, CNE is also required to pay approximately \$175,000 annually as a lease payment 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, 2011, CNE believes it is in compliance with the agreement.

On February 1, 2011, the Hard Rock facility in Catoosa experienced a roof collapse in a section of the casino due to heavy snow. The damage was beyond repair and this section of the casino was subsequently razed. Management attempted to reduce business losses by relocating games to other areas of the casino. CNE had insurance to cover the property damage loss as well as the business interruption, subject to a \$100,000 deductible.

The net book value of assets destroyed in the collapse was \$6,500,000. While CNE has not agreed to a final settlement on the property damage claim, CNE has recorded \$8,700,000 in projected proceeds based on initial negotiations with the insurance company. As of September 30, 2011, the insurance company has paid \$6,600,000 of the \$8,700,000 of projected proceeds, net of the applicable deductible. CNE has incurred, as of September 30, 2011, approximately \$3,500,000 in expenses, including remediation costs, demolition and claim preparation expenses, which have been reimbursed by the insurance company resulting in no net impact on CNE's net income before transfers and capital grants. CNE will continue to negotiate a final settlement and may receive proceeds in excess of the recorded amounts in the accompanying financial statements. Subsequent to the issuance of CNE's consolidated financial statements, the insurance company has revised their estimate for Business Interruption losses to a total of approximately \$10,500,000. This revised estimate has not been reflected in the financial statements as negotiations on the final amount are still ongoing.

With regard to business interruption coverage, CNE has accrued proceeds totaling \$2,400,000 for losses through September 30, 2011. Proceeds were accrued based on initial estimates provided by the insurance company. CNE believes losses for business interruption are substantially higher than the insurance company's estimates and will continue to negotiate covered losses.

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 Internal Revenue Service 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

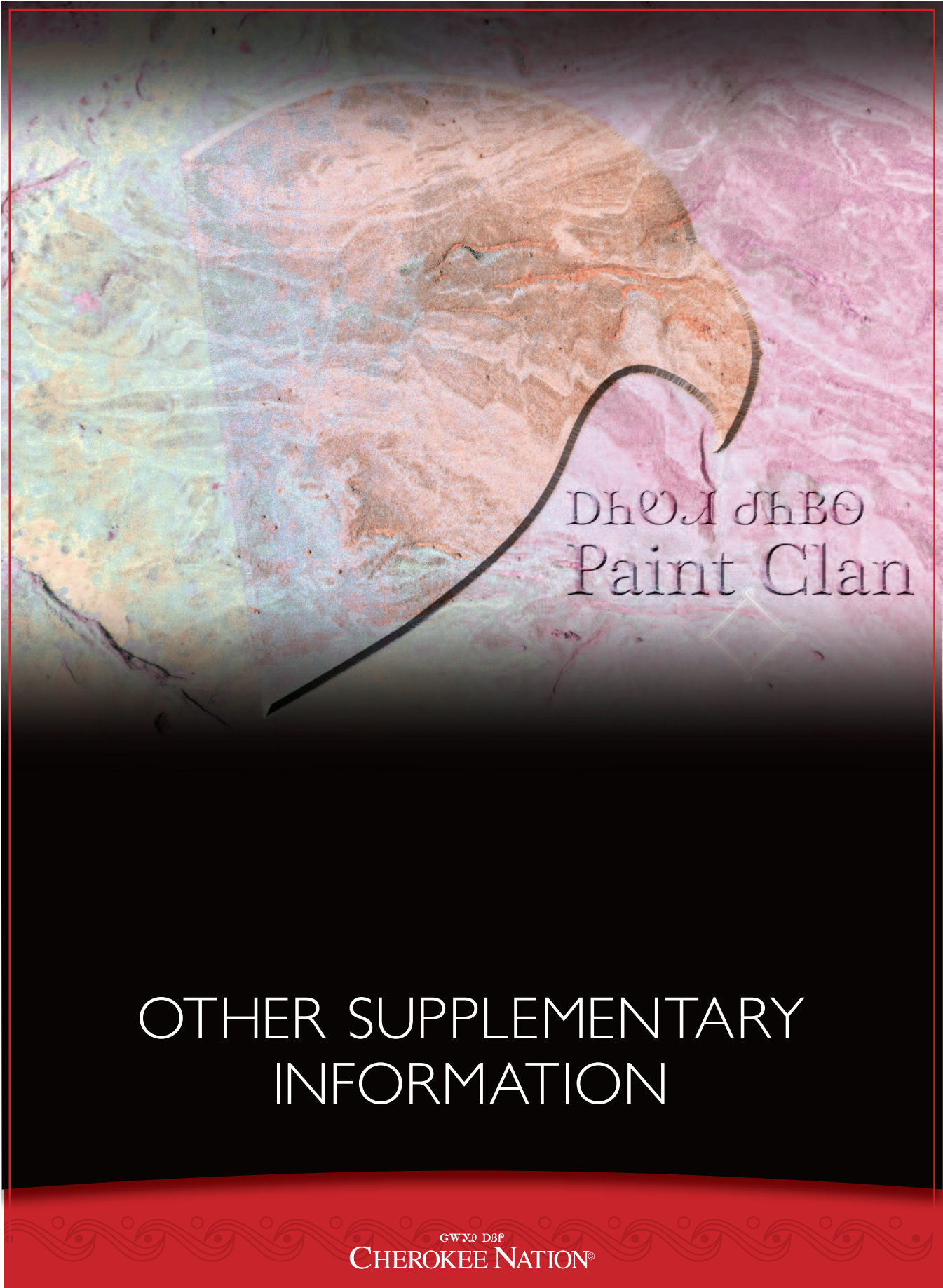
On July 21st, 2008, the Nation approved a loan guarantee for Chilocco Benefit Association, Inc, an unrelated nonprofit organization, up to \$300,000. To date, no loan has been obtained by the organization and no guarantee has been executed.

The Nation approved a loan guarantee for Cherokee Nation Home Health Services, Inc., a component unit, up to \$786,000. This loan guarantee replaced a previous guarantee of \$915,000.

19. SUBSEQUENT EVENTS

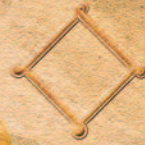
On October 19, 2011, Principal Chief Bill John Baker was sworn into office. Principal Chief Baker began assembling his cabinet members shortly thereafter. New cabinet members include the Attorney General, Marshal, Secretary of State and Treasurer. As with any change in leadership, the Nation is undergoing reviews of the policies and procedures of the Tribe in an effort to gain efficiencies in operations.

In August 2011, CNE purchased property in Tahlequah consisting of approximately 191 acres of land for \$910,000. Subsequent to year end, CNB's Board of Directors approved the transfer of this property to the Nation.



Dhe'ni Jh'be
Paint Clan

OTHER SUPPLEMENTARY INFORMATION



G.HT
Shagbark
Hickory

Shagbark hickory has many different Cherokee uses. From crafting bows to making stickball sticks. The shagbark hickory nut (called sohi - ᏍᏂ) is used in making kanatsi (ᏍᏂᏂ), a traditional Cherokee winter food.

NONMAJOR GOVERNMENTAL FUNDS

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

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

- **Self Governance DOI - Other** – Established to account for funds received under the Nation’s self governance compact with the United States Government. These funds are used to administer a number of programs under the Department of Interior relating to education, health and welfare, and tribal government within the Nation’s geographic boundaries.
- **Sequoyah Education** – Established to account for grant funds received from the Department of the Interior to help fund the education programs of Sequoyah High School.
- **Talking Leaves Job Corps** – Established to account for funds received from the Department of Labor for counseling, training and job placement of disadvantaged youth.
- **Diabetes** – Established to account for Department of Health and Human Services Diabetes Grant funds used to purchase diabetic medicines and supplies, promote awareness and provide assistance to diabetic patients.
- **Food Distribution** – Established to account for Department of Agriculture food products provided to the Nation and grant funds used to pay administrative and program costs of a program which provides food to eligible Indian families.
- **Women, Infants and Children** – Established to account for grant funds received from the Department of Agriculture to supply supplemental food and nutrition education to women and children at nutritional risk.
- **Head Start** – Established to account for grant funds from the Department of Health and Human Services to provide comprehensive health, educational, nutritional, social, and other services primarily to economically disadvantaged preschool Indian children.
- **PL102-477** – Established to account for funds received through the Department of the Interior from the Department of Labor for counseling, training and job placement of disadvantaged youth, as well as from the Department of Health and Human Services to provide child care services for low-income families with a parent that is working or attending a training or educational program.
- **Other Grants** – Established to account for various sources of grant funds used to fund specific program activities.
- **Tribal Judgment Funds** – Established to account for monies received by the Nation from the settlement of disputes with the United States Government. The judgment monies are expended in accordance with plans for use and distribution adopted by the Nation and approved as applicable, by the Secretary of the Interior. The judgment fund is controlled and administered by the Bureau of Indian Affairs.
- **Tribal Trusts** – Established to account for income received from external users of tribal lands, such as oil and gas royalties. The Bureau of Indian Affairs administers these funds which may be expended upon request and approval by the Secretary.

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

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

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

CHEROKEE NATION
 COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2011
 (Dollars in Thousands)

	Special Revenue Funds										Debt Service			Permanent Funds			Total Nonmajor Governmental Funds
	Self Governance DOI-Other	Sequoyah Education	Talking Leaves Job Corps	Diabetes	Food Distribution	Women, Infants, & Children	Head Start	PL 102-477	Other Grants	Tribal Judgment Funds	Tribal Trusts	Tribal Trusts	Total	Debt Service Fund	Sequoyah Endowment	Gammon Education Trust	
ASSETS																	
Cash and cash equivalents	\$ 5,736	\$ 8,566	\$ 25	\$ 3,839	\$ -	\$ -	\$ -	\$ 12,405	\$ 633	\$ 2,156	\$ 1,104	\$ 34,464	\$ -	\$ -	\$ -	\$ -	\$ 34,464
Investments	-	-	-	-	-	-	-	-	296	6,329	1,649	8,274	-	-	-	-	8,274
Receivables, net	-	32	387	-	355	167	743	10	3,247	42	1	4,984	-	-	-	-	4,984
Inventories	-	-	-	-	682	-	-	-	-	-	-	682	-	-	-	-	682
Notes receivable	-	-	-	-	-	-	-	-	62	-	-	62	-	-	-	-	62
Other current assets	-	-	-	-	-	261	-	-	-	-	-	261	-	-	-	-	261
Restricted cash, cash equivalents and investments	-	-	-	-	-	-	-	-	-	2,275	-	2,275	1,740	210	292	502	4,517
Total assets	<u>\$ 5,736</u>	<u>\$ 8,598</u>	<u>\$ 412</u>	<u>\$ 3,839</u>	<u>\$ 1,037</u>	<u>\$ 428</u>	<u>\$ 743</u>	<u>\$ 12,415</u>	<u>\$ 4,238</u>	<u>\$ 10,802</u>	<u>\$ 2,754</u>	<u>\$ 51,002</u>	<u>\$ 1,740</u>	<u>\$ 210</u>	<u>\$ 292</u>	<u>\$ 502</u>	<u>\$ 53,244</u>
LIABILITIES AND FUND BALANCE																	
Liabilities:																	
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 18	\$ -	\$ -	\$ 159	\$ -	\$ -	\$ 35	\$ -	\$ -	\$ 212	\$ -	\$ -	\$ -	\$ -	\$ 212
Due to other funds	356	1,090	394	343	354	122	743	615	2,174	1,740	64	7,995	44	-	-	-	8,039
Other liabilities	-	-	-	-	-	147	-	-	-	-	-	147	-	-	-	-	147
Deferred grant revenue	5,346	6,507	-	3,496	-	-	-	10,282	414	-	-	26,045	-	-	-	-	26,045
Unearned revenue	34	-	-	-	683	-	-	-	-	-	-	717	-	-	-	-	717
Total liabilities	5,736	7,597	412	3,839	1,037	428	743	10,897	2,623	1,740	64	35,116	44	-	-	-	35,160
Fund balances:																	
Nonspendable	-	-	-	-	-	-	-	-	62	-	-	62	-	134	291	425	487
Restricted	-	1,001	-	-	-	-	-	1,518	1,553	9,062	2,690	15,824	1,696	76	1	77	17,597
Total fund balances	-	1,001	-	-	-	-	-	1,518	1,615	9,062	2,690	15,886	1,696	210	292	502	18,084
Total liabilities and fund balance	<u>\$ 5,736</u>	<u>\$ 8,598</u>	<u>\$ 412</u>	<u>\$ 3,839</u>	<u>\$ 1,037</u>	<u>\$ 428</u>	<u>\$ 743</u>	<u>\$ 12,415</u>	<u>\$ 4,238</u>	<u>\$ 10,802</u>	<u>\$ 2,754</u>	<u>\$ 51,002</u>	<u>\$ 1,740</u>	<u>\$ 210</u>	<u>\$ 292</u>	<u>\$ 502</u>	<u>\$ 53,244</u>

CHEROKEE NATION
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED, SEPTEMBER 30, 2011
 (Dollars in Thousands)

	Special Revenue Funds										Debt Service			Permanent Funds			Total Nonmajor Governmental Funds
	Self Governance DOI-Other	Sequoyah Education	Talking Leaves Job Corps	Diabetes	Food Distribution	Women, Infants, & Children	Head Start	PL 102-477	Other Grants	Tribal Judgment Funds	Tribal Trusts	Total	Debt Service Fund	Sequoyah Endowment	Gammon Education Trust	Total	
Revenues:																	
Intergovernmental	\$ 13,314	\$ 10,209	\$ 7,007	\$ 5,950	\$ 8,727	\$ 6,196	\$ 7,713	\$ 12,612	\$ 27,453	\$ -	\$ -	\$ 99,181	\$ -	\$ -	\$ -	\$ 99,181	
Interest	20	41	-	16	-	-	-	47	5	291	26	446	-	1	2	3	
Other	574	7	-	-	100	-	1,547	720	1,937	-	608	5,493	-	-	-	5,493	
Third party revenues	-	-	-	-	-	-	-	-	670	-	-	670	-	-	-	670	
Total revenues	13,908	10,257	7,007	5,966	8,827	6,196	9,260	13,379	30,065	291	634	105,790	-	1	2	105,793	
Expenditures:																	
Current operating:																	
Tribal government	5,846	-	-	-	-	-	-	-	383	42	1	6,272	2	-	-	6,274	
Health services	4,033	10,472	7,007	5,966	-	6,196	9,260	1,223	12,264	-	-	24,426	-	-	-	24,426	
Education services	2,764	-	-	-	-	-	-	12,084	2,552	-	-	34,547	-	2	2	34,549	
Human services	840	-	-	-	9,303	-	-	-	10,443	-	-	34,594	-	-	-	34,594	
Community services	-	-	-	-	-	-	-	-	2,945	-	-	3,785	-	-	-	3,785	
Debt service:	-	-	-	-	-	-	-	-	-	-	-	-	1,660	-	-	1,660	
Principal	-	-	-	-	-	-	-	-	-	-	-	-	940	-	-	940	
Interest	181	779	-	-	140	-	-	28	1,249	-	-	2,377	-	-	-	2,377	
Capital outlay	13,664	11,251	7,007	5,966	9,443	6,196	9,260	13,335	29,836	42	1	106,001	2,602	2	2	108,605	
Total expenditures	244	(994)	-	-	(616)	-	-	44	229	249	633	(211)	(2,602)	-	1	(2,812)	
Excess (deficiency) of revenues over expenditures	79	286	-	-	616	-	-	-	629	-	-	1,610	2,631	-	-	4,241	
Other financing sources (uses):	(323)	-	-	-	-	-	-	-	(2,491)	-	-	(2,814)	-	-	-	(2,814)	
Transfers in	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Transfers out	(244)	286	-	-	616	-	-	-	(1,862)	-	-	(1,204)	2,631	-	-	1,427	
Total other financing sources (uses)	-	(708)	-	-	-	-	-	44	(1,633)	249	633	(1,415)	29	1	1	(1,385)	
Net change in fund balances	-	1,709	-	-	-	-	-	1,474	3,248	8,813	2,057	17,301	1,667	209	292	19,469	
Fund balance, October 1, 2010	-	-	-	-	-	-	-	-	-	-	-	-	-	210	502	502	
Fund balance, September 30, 2011	\$ -	\$ 1,001	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,518	\$ 1,615	\$ 9,062	\$ 2,690	\$ 15,886	\$ 1,696	\$ 210	\$ 502	\$ 18,084	

Dakrodi JhBo
Bird Clan



NONMAJOR ENTERPRISE FUNDS

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

- **Tsa-La-Gi Apartments** – Utilized to account for the operations of the Nation’s federally subsidized low-income housing apartment complex, whose operating focus is to provide housing for qualified applicants and to recover costs of operations.
- **Landfill 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 through conventional lending sources.

CHEROKEE NATION

COMBINING STATEMENT OF NET ASSETS - NONMAJOR ENTERPRISE FUNDS

SEPTEMBER 30, 2011

(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	\$ 90	\$ -	\$ 1,057	\$ 1,147
Due from other funds	-	-	80	80
Due from component units	-	143	-	143
Notes receivable, current	-	-	895	895
Other current assets	2	-	7	9
Total current assets	92	143	2,039	2,274
Noncurrent assets:				
Restricted cash and cash equivalents	336	2,477	-	2,813
Long-term notes receivable	-	-	3,322	3,322
Capital assets, net	588	-	-	588
Total noncurrent assets	924	2,477	3,322	6,723
Total assets	1,016	2,620	5,361	8,997
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	31	-	1	32
Current portion of long-term debt	74	-	23	97
Due to other funds	3	-	-	3
Other current liabilities	19	-	-	19
Total current liabilities	127	-	24	151
Noncurrent liabilities:				
Long-term debt	-	-	1,311	1,311
Other liabilities	-	2,604	-	2,604
Total noncurrent liabilities	-	2,604	1,311	3,915
Total liabilities	127	2,604	1,335	4,066
NET ASSETS				
Invested in capital assets, net of related debt	514	-	-	514
Restricted for capital repair and replacement	304	-	-	304
Unrestricted net assets	71	16	4,026	4,113
Total net assets	\$ 889	\$ 16	\$ 4,026	\$ 4,931

CHEROKEE NATION

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - NONMAJOR ENTERPRISE FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2011 (Dollars in Thousands)

	<u>Tsa-La-Gi Apartments</u>	<u>Landfill Closure</u>	<u>EDTA</u>	<u>Total</u>
Operating revenues:				
Property rentals	\$ 502	\$ -	\$ -	\$ 502
Interest income, loans	-	-	134	134
Other	6	154	33	193
Total operating revenues	<u>508</u>	<u>154</u>	<u>167</u>	<u>829</u>
Operating expenses:				
Salaries and wages	53	-	-	53
Other services and charges	328	154	53	535
Materials and supplies	13	-	-	13
Depreciation	57	-	-	57
Total operating expenses	<u>451</u>	<u>154</u>	<u>53</u>	<u>658</u>
Operating income	<u>57</u>	<u>-</u>	<u>114</u>	<u>171</u>
Nonoperating revenues (expenses):				
Interest income	2	-	3	5
Interest expense	(9)	-	(13)	(22)
Net nonoperating revenues (expenses)	<u>(7)</u>	<u>-</u>	<u>(10)</u>	<u>(17)</u>
Income before transfers	50	-	104	154
Transfers in	-	-	806	806
Change in net assets	50	-	910	960
Total net assets - beginning	<u>839</u>	<u>16</u>	<u>3,116</u>	<u>3,971</u>
Total net assets - ending	<u>\$ 889</u>	<u>\$ 16</u>	<u>\$ 4,026</u>	<u>\$ 4,931</u>

CHEROKEE NATION

COMBINING STATEMENT OF CASH FLOWS - NONMAJOR ENTERPRISE FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2011 (Dollars in Thousands)

	Tsa-La-Gi Apartments	Landfill Closure	EDTA	Total
Cash flows from operating activities:				
Receipts from customers	\$ 502	\$ 1	\$ -	\$ 503
Payments to suppliers	(345)	(154)	(52)	(551)
Payments to employees	(53)	-	-	(53)
Internal activity - payment to other funds	(8)	-	-	(8)
Internal activity - payment from other funds	-	-	-	-
Internal activity - payments to other Component Units	-	-	-	-
Program loans	-	-	-	-
Internal activity - payments from other Component Units	-	128	-	128
Interest received on loans	-	-	134	134
Other receipts	6	154	33	193
Net cash provided by operating activities	<u>102</u>	<u>129</u>	<u>115</u>	<u>346</u>
Cash flows from noncapital financing activities				
Transfer from other funds	-	-	806	806
Principal paid on notes payable	-	-	(62)	(62)
Interest paid on notes payable	-	-	(13)	(13)
Net cash provided by (used for) noncapital financing activities	<u>-</u>	<u>-</u>	<u>731</u>	<u>731</u>
Cash flows from capital and related financing activities				
Purchases of capital assets	-	-	-	-
Principal paid on capital debt and leases	(114)	-	-	(114)
Interest paid on capital debt and leases	(9)	-	-	(9)
Net cash used for capital and related financing activities	<u>(123)</u>	<u>-</u>	<u>-</u>	<u>(123)</u>
Cash flows from investing activities				
Interest received	2	-	3	5
Decrease in notes receivable, net	-	-	(596)	(596)
Net cash provided by (used for) investing activities	<u>2</u>	<u>-</u>	<u>(593)</u>	<u>(591)</u>
Net increase (decrease) in cash and cash equivalents	(19)	129	253	363
Cash and cash equivalents, October 1, 2010	445	2,348	804	3,597
Cash and cash equivalents, September 30, 2011	<u>\$ 426</u>	<u>\$ 2,477</u>	<u>\$ 1,057</u>	<u>\$ 3,960</u>
Cash and cash equivalents consist of:				
Unrestricted cash and cash equivalents	\$ 90	\$ -	\$ 1,057	\$ 1,147
Restricted cash and cash equivalents	336	2,477	-	2,813
Total Cash and Cash Equivalents, September 30, 2011	<u>\$ 426</u>	<u>\$ 2,477</u>	<u>\$ 1,057</u>	<u>\$ 3,960</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income	\$ 57	\$ -	\$ 114	\$ 171
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	57	-	-	57
Change in assets and liabilities:				
Receivables and due from (to) other funds	-	(21)	-	(21)
Liabilities and other payables	(12)	150	1	139
Net cash provided by operating activities	<u>\$ 102</u>	<u>\$ 129</u>	<u>\$ 115</u>	<u>\$ 346</u>

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Bloodroot

Bloodroot has been used by Cherokees for many generations, primarily as a red dye for dying baskets and clothing.

INTERNAL SERVICE FUNDS

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

- **Internal Leases** is used to account for the cost to maintain certain buildings for use by other funds of the Nation.
- **Fringe Pool** is used to account for the cost of fringe benefits, including the Nation's self-insured health care benefits and workers' compensation benefits, used by other funds of the Nation.
- **Indirect Cost Pool** is used to account for the cost of providing certain services, such as accounting, human resources and acquisition management, to other funds of the Nation.

CHEROKEE NATION

COMBINING STATEMENT OF NET ASSETS - INTERNAL SERVICE FUNDS

SEPTEMBER 30, 2011

(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	\$ -	\$ 5	\$ 4	\$ 9
Accounts receivable, net	-	-	28	28
Due from other funds	-	20,822	5,117	25,939
Due from component units	-	25	60	85
Inventories	-	-	160	160
Other current assets	-	-	289	289
Total current assets	<u>-</u>	<u>20,852</u>	<u>5,658</u>	<u>26,510</u>
Noncurrent assets:				
Capital assets, net	<u>10,670</u>	<u>-</u>	<u>1,011</u>	<u>11,681</u>
Total noncurrent assets	<u>10,670</u>	<u>-</u>	<u>1,011</u>	<u>11,681</u>
Total assets	<u>10,670</u>	<u>20,852</u>	<u>6,669</u>	<u>38,191</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	1	11,036	467	11,504
Current portion of long-term debt	573	-	-	573
Due to other funds	2,775	-	-	2,775
Compensated absences	-	6,567	-	6,567
Other current liabilities	-	2,413	3,563	5,976
Total current liabilities	<u>3,349</u>	<u>20,016</u>	<u>4,030</u>	<u>27,395</u>
Noncurrent liabilities:				
Long-term debt	<u>392</u>	<u>-</u>	<u>-</u>	<u>392</u>
Total noncurrent liabilities	<u>392</u>	<u>-</u>	<u>-</u>	<u>392</u>
Total liabilities	<u>3,741</u>	<u>20,016</u>	<u>4,030</u>	<u>27,787</u>
NET ASSETS				
Invested in capital assets, net of related debt	9,705	-	1,011	10,716
Unrestricted net assets/(deficit)	<u>(2,776)</u>	<u>836</u>	<u>1,628</u>	<u>(312)</u>
Total net assets	<u>\$ 6,929</u>	<u>\$ 836</u>	<u>\$ 2,639</u>	<u>\$ 10,404</u>

CHEROKEE NATION

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011
(Dollars in Thousands)**

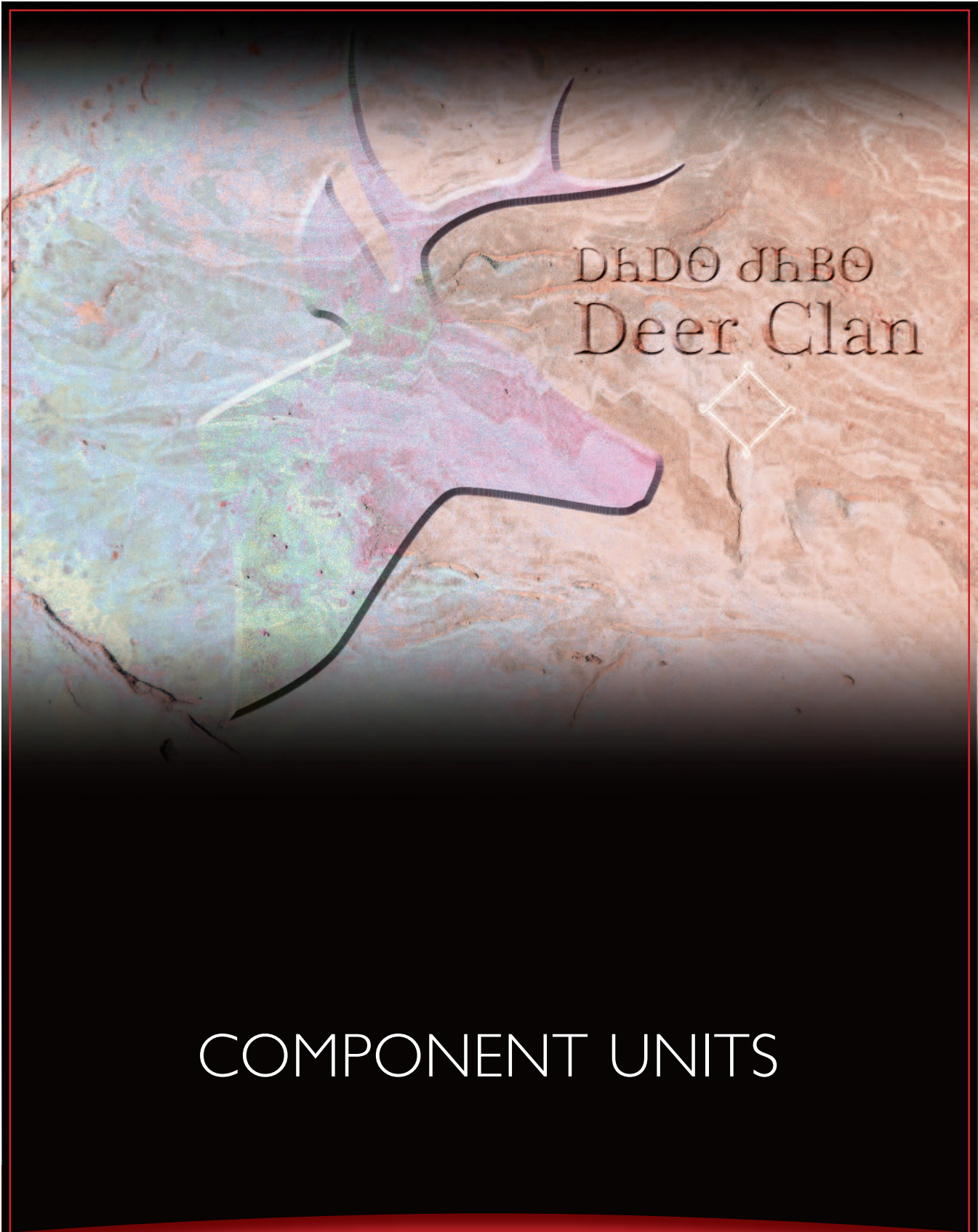
	Internal Leases	Fringe Pool	Indirect Cost Pool	Total
Operating revenues:				
Property rentals	\$ 5	\$ -	\$ -	\$ 5
Charges for services and goods	3,815	56,277	36,437	96,529
Other	64	-	131	195
Total operating revenues	<u>3,884</u>	<u>56,277</u>	<u>36,568</u>	<u>96,729</u>
Operating expenses:				
Cost of sales	-	-	362	362
Salaries and wages	1,832	57,135	17,950	76,917
Other services and charges	1,329	10	15,547	16,886
Materials and supplies	219	-	1,611	1,830
Depreciation	505	-	458	963
Total operating expenses	<u>3,885</u>	<u>57,145</u>	<u>35,928</u>	<u>96,958</u>
Operating income (loss)	<u>(1)</u>	<u>(868)</u>	<u>640</u>	<u>(229)</u>
Nonoperating revenues (expenses):				
Interest expense	(46)	-	-	(46)
Net nonoperating revenues (expenses)	<u>(46)</u>	<u>-</u>	<u>-</u>	<u>(46)</u>
Income (loss) before capital contribution	(47)	(868)	640	(275)
Capital contribution	12	-	-	12
Change in net assets	(35)	(868)	640	(263)
Total net assets - beginning	<u>6,964</u>	<u>1,704</u>	<u>1,999</u>	<u>10,667</u>
Total net assets - ending	<u>\$ 6,929</u>	<u>\$ 836</u>	<u>\$ 2,639</u>	<u>\$ 10,404</u>

CHEROKEE NATION

COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2011 (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	\$ 3,820	\$ 56,277	\$ 36,405	\$ 96,502
Payments to suppliers	(1,550)	-	(18,189)	(19,739)
Payments to employees	(1,832)	(56,806)	(17,950)	(76,588)
Internal activity - payments to other funds	-	(1,043)	(172)	(1,215)
Internal activity - payments from other funds	114	-	-	114
Internal activity - payments to other component units	-	-	(11)	(11)
Internal activity - payments from other component units	-	31	-	31
Other receipts	64	1,515	131	1,710
Net cash provided by (used for) operating activities	<u>616</u>	<u>(26)</u>	<u>214</u>	<u>804</u>
Cash flows from capital and related financing activities				
Purchases of capital assets	(18)	-	(218)	(236)
Principal paid on capital debt	(552)	-	-	(552)
Interest paid on capital debt	(46)	-	-	(46)
Net cash used for capital and related financing activities	<u>(616)</u>	<u>-</u>	<u>(218)</u>	<u>(834)</u>
Net increase (decrease) in cash and cash equivalents	-	(26)	(4)	(30)
Cash and cash equivalents, October 1, 2010	<u>-</u>	<u>31</u>	<u>8</u>	<u>39</u>
Cash and cash equivalents, September 30, 2011	<u>\$ -</u>	<u>\$ 5</u>	<u>\$ 4</u>	<u>\$ 9</u>
Cash and cash equivalents consist of:				
Unrestricted cash and cash equivalents	\$ -	\$ 5	\$ 4	\$ 9
Total Cash and Cash Equivalents, September 30, 2011	<u>\$ -</u>	<u>\$ 5</u>	<u>\$ 4</u>	<u>\$ 9</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (1)	\$ (868)	\$ 640	\$ (229)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	505	-	458	963
Change in assets and liabilities:				
Receivables and due from (to) other funds	-	(1,012)	(215)	(1,227)
Inventories	-	-	(29)	(29)
Other current assets	-	-	(33)	(33)
Accounts and other payables	112	1,854	(607)	1,359
Net cash provided by (used for) operating activities	<u>\$ 616</u>	<u>\$ (26)</u>	<u>\$ 214</u>	<u>\$ 804</u>
Noncash investing, capital, and financing activities:				
Contributions of capital assets from component unit	12	-	-	

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COMPONENT UNITS

CHEROKEE NATION
 COMBINING STATEMENT OF NET ASSETS - CHEROKEE NATION BUSINESSES, LLC
 SEPTEMBER 30, 2011
 (Dollars in Thousands)

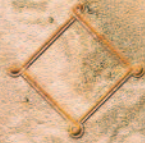
	Cherokee Nation Businesses, LLC (CNB)	Cherokee Nation Entertainment, LLC (CNE)	Cherokee Nation Industries, LLC (CNI)	Cherokee Nation Medical Services LLC (CMS)	Cherokee Nation Red Wing LLC (CNRW)	Cherokee Nation Meal Works LLC (CNMW)	Cherokee Nation Health Services LLC (CNHS LLC)	Cherokee Services Group, LLC (CSG)	Cherokee Nation Technologies, LLC (CNT)	Cherokee Technology Solutions LLC (CNTS)	Cherokee Government Solutions LLC (CNGS)	Cherokee Nation Assurance LLC (CNA)	Cherokee Security & Defense, LLC (CNSD)	Cherokee Property Management LLC (CNPMM)	Cherokee Construction Services LLC (CNCS)	Cherokee Mobility Plus, LLC (MPP)	Eliminations	Total
ASSETS																		
Current assets:																		
Cash and cash equivalents	\$ 41,048	\$ 21,129	\$ 2,706	\$ 1	\$ -	\$ -	\$ -	\$ 219	\$ (1)	\$ 874	\$ 1,046	\$ -	\$ -	\$ -	\$ 1,941	\$ 134	\$ -	\$ 69,096
Accounts receivable	1,103	5,897	3,168	2,322	343	118	356	4,544	1,287	1,738	3,139	183	-	-	270	1,754	-	32,184
Receivables, net	315	4,450	3,087	-	814	-	-	-	28	-	-	-	-	-	-	-	-	4,450
Receivables for insurance claims	3,834	79,261	11,682	4,851	91	-	-	2,218	301	-	-	-	-	-	-	1,548	-	14,270
Inventories	1,953	4,246	1,449	4	-	-	-	-	31	-	-	-	-	-	-	-	-	-
Due from other component units	46,650	122,719	22,092	12,946	1,248	118	356	7,002	1,648	2,862	4,808	-	0	24	2,884	3,479	(102,147)	8,475
Total current assets	1,313	483	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	134,880
Notes receivable	4,340	-	-	-	-	-	-	3,387	482	588	4,949	-	-	-	-	546	-	10,444
Other assets	5,344	431,029	2,677	2,875	1,180	-	-	-	12	-	95	10	-	4,727	29	238	-	4,340
Investment in partnership/joint ventures	12,480	431,029	2,677	2,875	1,180	-	-	3,387	504	588	5,044	10	-	4,727	29	794	-	449,238
Capital assets, net	61,130	553,748	24,769	15,821	2,428	118	356	10,389	2,150	3,450	9,852	172	-	4,751	2,923	4,263	(103,195)	465,336
Total assets	9,424	39,544	3,099	3,130	571	89	115	3,370	870	803	1,030	122	111	156	1,586	1,174	(512)	65,622
Liabilities:																		
Current liabilities:																		
Accounts payable and accrued liabilities	70	5,086	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,156
Due to other component units	81,262	-	-	12,979	1,865	19	126	-	-	1,655	2,572	380	181	345	705	763	-	102,653
Due to primary government	90,756	44,629	3,099	16,109	2,035	118	241	3,370	870	2,459	3,602	512	292	501	2,291	1,975	(103,195)	70,235
Total current liabilities	172,792	50,344	6,204	29,088	3,900	237	382	6,740	1,740	4,114	6,174	1,004	473	846	3,001	2,748	(206,390)	172,792
Long-term debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	172,792	50,344	6,204	29,088	3,900	237	382	6,740	1,740	4,114	6,174	1,004	473	846	3,001	2,748	(206,390)	172,792
NET ASSETS																		
Invested in capital assets, net of related debt	6,344	428,360	2,677	2,875	22	-	-	-	12	-	95	10	-	4,727	29	201	-	446,662
Retained earnings	(35,970)	80,629	18,993	(3,163)	(787)	-	115	7,019	1,268	791	5,605	(350)	(292)	(477)	603	2,087	-	82,678
Unrestricted net assets	\$ (29,626)	\$ 509,119	\$ 21,670	\$ (288)	\$ 383	\$ -	\$ 115	\$ 7,019	\$ 1,280	\$ 981	\$ 6,230	\$ (340)	\$ (292)	\$ 4,250	\$ 632	\$ 2,288	\$ -	\$ 530,090

CHEROKEE NATION

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS (DEFICIT) -
CHEROKEE NATION BUSINESSES, LLC
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

(Dollars in Thousands)

	Cherokee Businesses, LLC (CNB)	Cherokee Nation Entertainment, LLC (CNE)	Cherokee Nation Industries, LLC (CNI)	Cherokee Nation Medical Services LLC (CMS)	Cherokee Nation Red Wing LLC (CNRW)	Cherokee Nation Metal Works LLC (CHMW)	Cherokee Nation Health Services LLC (CNHS LLC)	Cherokee Nation Services Group, LLC (CSG)	Cherokee Nation Technologies, LLC (CNT)	Cherokee Nation Technology Solutions LLC (CNTS)	Cherokee Nation Government Solutions LLC (CNGS)	Cherokee Nation Assurance LLC (CNA)	Cherokee Nation Security & Defense, LLC (CNSD)	Cherokee Nation Property Management LLC (CNPM)	Cherokee Nation Construction Services LLC (CNCS)	Cherokee Nation Mobility Plus, LLC (MPP)	Eliminations	Total
Operating revenues:																		
Charges for services and goods	\$ 19,122	\$ 481,073	\$ 33,340	\$ 20,704	\$ 4,392	\$ 336	\$ 1,710	\$ 31,285	\$ 6,626	\$ 8,043	\$ 12,510	\$ 701	\$ 1,025	\$ 171	\$ 8,276	\$ 7,612	\$ (20,702)	\$ 653,112
Income from investments in joint ventures	359	-	-	20,704	4,392	336	1,710	31,285	6,626	8,043	12,510	701	1,025	171	8,276	7,612	(20,702)	359
Total operating revenues	19,481	481,073	33,340	20,704	4,392	336	1,710	31,285	6,626	8,043	12,510	701	1,025	171	8,276	7,612	(20,702)	653,471
Operating expenses:																		
Salaries and operations	22,876	105,314	29,789	18,190	3,467	111	1,473	20,215	9,609	5,866	7,984	348	-	-	7,133	9,022	(2,461)	231,416
Salaries and benefits	7,218	134,248	3,376	3,370	2,241	140	51	7,474	1,537	1,354	3,145	525	1,059	-	690	3,017	-	182,588
Other services and charges	1,026	110,299	(899)	1,073	1,158	85	89	1,545	515	1,469	628	162	186	458	344	1,855	(18,251)	113,810
Depreciation and amortization	31,120	33,294	563	9	185	-	-	237	60	25	266	4	-	78	21	181	-	36,594
Total operating expenses	(11,659)	383,155	33,009	19,651	5,237	336	1,613	29,471	5,721	7,714	12,033	1,037	1,245	536	8,187	8,075	(20,702)	564,278
Operating income (loss)	165	187	22	1	-	-	97	1,814	905	329	477	(336)	(220)	(365)	89	(463)	-	88,693
Nonoperating revenues (expenses)	(841)	-	(18)	1	-	-	-	12	(22)	(6)	1	(4)	(3)	(4)	(1)	(5)	(165)	224
Interest expense	(4)	1,651	52	-	2	-	-	-	-	-	(6)	(4)	(3)	(4)	(1)	(5)	-	(751)
Other, net	(680)	-	56	1	-	-	-	-	(21)	(6)	(7)	(4)	(3)	(4)	(1)	(5)	-	3,291
Net nonoperating revenues (expenses)	(1,231)	1,651	88	1	2	-	-	-	(21)	(6)	(7)	(4)	(3)	(4)	(1)	(5)	-	2,764
Net income (loss)	(1,066)	1,838	110	2	-	-	97	1,814	884	323	470	(340)	(223)	(369)	88	(468)	-	91,457
Dividends to primary government	(30,074)	-	-	1,054	(843)	-	-	-	-	-	-	-	-	-	-	-	-	(30,074)
Transfers to (from) component unit	21,822	(2,076)	365	-	-	-	-	(10)	-	145	5,780	-	-	1,693	2	2,756	-	-
Capital grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,076)
Change in net assets	(20,571)	65,127	752	1,054	(843)	-	97	1,804	884	468	6,250	(340)	(223)	1,324	90	2,288	-	59,307
Net assets, beginning of year	(9,055)	443,992	20,918	5,575	1,236	-	18	5,215	396	523	-	-	(69)	2,926	542	-	-	470,783
Net assets, end of year	(29,626)	509,119	21,670	6,629	383	-	115	7,019	1,280	991	6,250	(340)	(292)	4,250	632	2,288	-	\$ 530,090



JG&D
Huckleberry

Huckleberries, when not eaten raw, are used in baking and are put in such food as pancakes and breads. Jellies and jams are also made from the sweet fruit.

BUDGETARY INFORMATION

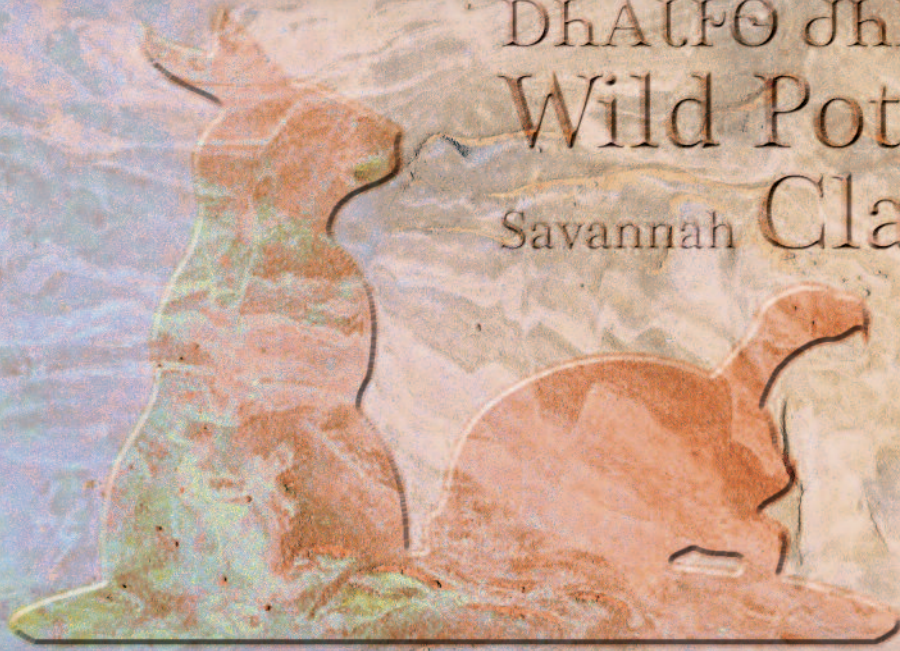
CHEROKEE NATION

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - BUDGET AND ACTUAL (GAAP BASIS) - ENTERPRISE FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2011 (Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget over/(under)
	Original	Final		
Operating revenues:				
Property rentals	\$ 508	\$ 508	\$ 502	\$ (6)
Interest income, loans	894	942	435	(507)
Other	9	18	193	175
Total operating revenues	1,411	1,468	1,130	(338)
Operating expenses:				
Salaries and wages	36	36	53	17
Other services and charges	512	553	536	(17)
Materials and supplies	26	26	13	(13)
Depreciation	75	75	57	(18)
Total operating expenses	649	690	659	(31)
Operating income (loss)	762	778	471	(307)
Nonoperating revenues(expenses):				
Interest income	-	2	7	5
Interest expense	(470)	(470)	(323)	147
Net nonoperating revenue (expenses)	(470)	(468)	(316)	152
Income (loss) before transfers	292	310	155	(155)
Transfers in	1,669	2,953	806	(2,147)
Transfers out	-	(1,284)	-	(1,284)
Changes in net assets	1,961	1,979	961	(1,018)
Total net assets - beginning	3,972	3,972	3,972	-
Total net assets - ending	\$ 5,933	\$ 5,951	4,933	\$ (1,018)
Adjustment to reflect the consolidation of Internal Service Funds activities related to Enterprise Funds			(63)	
Net assets of Enterprise Funds			\$ 4,870	

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SECTION III

STATISTICAL

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.
- **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.

CHEROKEE NATION

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental Activities										
Invested in capital assets, net of related debt	\$ 26,714	\$ 25,655	\$ 29,403	\$ 35,969	\$ 47,627	\$ 53,781	\$ 62,021	\$ 74,152	\$ 78,468	\$ 94,667
Restricted	41,483	20,421	20,691	16,822	23,250	26,278	36,739	61,015	89,899	95,234
Unrestricted	1,133	53,444	65,566	66,627	69,039	83,373	87,255	68,411	50,110	49,656
Total governmental activities net assets	69,330	99,520	115,660	119,418	139,916	163,432	186,015	203,578	218,477	239,557
Business-type activities										
Invested in capital assets, net of related debt	3,460	4,839	4,388	5,519	4,653	162	204	253	457	514
Restricted	414	-	-	-	-	-	310	398	324	304
Unrestricted	361	(372)	(685)	(361)	420	1,072	2,029	2,478	3,128	4,052
Total business-type activities net assets	4,235	4,467	3,703	5,158	5,073	1,234	2,543	3,129	3,909	4,870
Primary government										
Invested in capital assets, net of related debt	30,174	30,494	33,791	41,488	52,280	53,943	62,225	74,405	78,925	95,181
Restricted	41,897	20,421	20,691	16,822	23,250	26,278	37,049	61,413	90,223	95,538
Unrestricted	1,494	53,072	64,881	66,266	69,459	84,445	89,284	70,889	53,238	53,708
Total primary government net assets	\$ 73,565	\$ 103,987	\$ 119,363	\$ 124,576	\$ 144,989	\$ 164,666	\$ 188,558	\$ 206,707	\$ 222,386	\$ 244,427

CHEROKEE NATION

CHANGES IN NET ASSETS

LAST TEN FISCAL YEARS (Dollars in Thousands)

(accrual basis of accounting)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses										
Governmental activities:										
Tribal Government	\$ 9,373	\$ 12,075	\$ 13,627	\$ 17,023	\$ 16,433	\$ 21,624	\$ 24,639	\$ 29,323	\$ 29,841	\$ 29,678
Health Services	62,235	67,356	74,995	79,344	87,061	92,163	103,177	179,806	206,013	224,634
Education Services	29,120	32,423	32,901	33,429	36,588	39,096	40,365	46,200	54,085	52,348
Human Services	25,203	24,671	24,160	24,824	27,307	28,962	37,003	36,231	37,932	38,588
Community Services	45,478	51,252	35,163	35,060	42,867	49,131	51,693	72,334	75,600	63,814
Other Tribal Services	5,431	8,750	11,193	10,623	12,712	15,650	15,033	-	-	-
Interest on long-term debt	235	689	970	1,651	1,975	3,044	1,503	1,525	1,309	1,722
Total governmental activities expenses	177,075	197,216	193,009	201,954	224,943	249,670	273,413	365,419	404,780	410,784
Business-type activities:										
Title VI	-	-	-	-	-	-	1,458	826	469	302
Tsa-La-Gi Apartments	418	359	356	352	390	388	394	393	387	459
Cherokee Trails Golf Club	170	192	39	-	-	-	-	-	-	-
Landfill Closure	1,459	1,982	1,917	2,252	1,794	2,853	2,292	-	128	154
EDTA	-	-	-	127	182	139	373	73	47	67
Ranch Operations	169	52	6	-	-	-	-	-	-	-
Child Development	1,091	1,358	1,235	1,048	-	-	-	-	-	-
Other Enterprises	3	1	-	15	7	18	-	-	-	-
Total business-type activities expenses	3,310	3,944	3,553	3,794	2,373	3,398	4,517	1,292	1,031	982
Total primary government expenses	\$ 180,385	\$ 201,160	\$ 196,562	\$ 205,748	\$ 227,316	\$ 253,068	\$ 277,930	\$ 366,711	\$ 405,811	\$ 411,766
Program Revenues										
Governmental activities:										
Charges for services:										
Tribal Government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4	\$ -	\$ 640	\$ 4,237	\$ 4,116
Health Services	-	-	-	-	69,723	-	-	52,274	58,351	69,723
Community Services	-	-	-	-	-	-	1,120	4,054	994	799
Other Tribal Services	451	405	1,237	2,001	2,572	2,938	3,300	-	-	-
Operating grants and contributions	103,642	113,394	100,209	104,278	108,177	128,822	127,323	258,558	289,034	283,563
Capital grants and contributions	-	-	-	-	411	142	86	1,994	989	1,369
Total governmental activities program revenues	104,093	113,799	101,446	106,279	180,883	131,906	131,829	317,520	353,605	359,570
Business-type activities:										
Charges for services:										
Title VI	-	-	-	-	-	-	1,303	816	474	303
Tsa-La-Gi Apartments	392	384	437	475	492	498	525	519	514	508
Cherokee Trails Golf Club	84	70	6	-	-	-	-	-	-	-
Landfill Closure	2,327	2,109	1,355	1,937	1,216	2,044	1,126	-	128	154
EDTA	-	-	-	14	23	13	195	168	184	170
Ranch Operations	165	32	-	-	-	-	-	-	-	-
Child Development Centers	1,118	1,354	1,237	766	-	-	-	-	-	-
Other Enterprises	11	12	10	-	6	7	-	-	-	-
Operating grants and contributions	-	-	-	104	119	-	-	-	-	-
Total business-type activities program revenues	4,097	3,961	3,045	3,296	1,856	2,562	3,149	1,503	1,300	1,135
Total primary government program revenues	\$ 108,190	\$ 117,760	\$ 104,491	\$ 109,575	\$ 182,739	\$ 134,468	\$ 134,978	\$ 319,023	\$ 354,905	\$ 360,705
Net (Expense)/Revenue										
Governmental activities	\$ (72,982)	\$ (83,417)	\$ (91,563)	\$ (95,675)	\$ (44,060)	\$ (117,764)	\$ (141,584)	\$ (47,899)	\$ (51,175)	\$ (51,214)
Business-type activities	787	17	(508)	(498)	(517)	(836)	(1,368)	211	269	153
Total primary government net expense	\$ (72,195)	\$ (83,400)	\$ (92,071)	\$ (96,173)	\$ (44,577)	\$ (118,600)	\$ (142,952)	\$ (47,688)	\$ (50,906)	\$ (51,061)
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Motor fuel tax	7,294	7,468	7,576	8,094	7,406	7,228	7,088	7,514	7,256	7,543
Motor vehicle tax	3,342	4,961	5,929	6,382	7,188	7,658	8,161	7,400	7,707	8,441
Tobacco tax	1,890	2,052	2,142	3,133	7,063	6,956	6,254	5,312	4,194	3,990
Gaming tax and licenses	480	611	262	-	-	-	-	-	-	-
Sales tax	75	310	249	686	1,144	1,215	1,208	1,610	2,314	2,905
Grants and contributions not restricted to specific programs	58,236	66,249	65,223	62,015	78,849	76,989	100,355	10,398	11,143	13,394
Unrestricted investment earnings	1,793	1,563	1,588	3,011	5,941	7,631	5,439	2,293	2,056	1,393
Indirect cost settlement	254	646	11,634	-	-	-	-	-	-	-
Dividends from component units	4,050	8,725	11,717	17,919	25,444	33,669	35,001	26,444	26,429	30,074
Arkansas River Drybed Lands Settlement	-	20,000	-	-	-	-	-	-	-	-
Miscellaneous revenue	634	1,144	1,232	898	1,199	1,375	2,222	4,848	5,483	5,360
Equity interest in joint venture	-	-	-	184	-	-	-	-	-	-
Gain/(loss) on disposals	-	-	1	-	-	-	-	-	-	-
Transfers	(1,589)	(122)	150	(2,889)	43	(1,441)	(1,561)	(357)	(508)	(806)
Total governmental activities	76,459	113,607	107,703	99,433	134,277	141,280	164,167	65,462	66,074	72,294
Business-type activities:										
Unrestricted investment earnings	6	61	19	52	334	393	72	18	3	2
Miscellaneous revenue	-	-	-	-	69	81	-	-	-	-
Gain/(loss) on disposals	-	32	(125)	-	72	-	1,044	-	-	-
Special item	-	-	-	-	-	(4,918)	-	-	-	-
Transfers	1,589	122	(150)	1,901	(43)	1,441	1,561	357	508	806
Total business-type activities	1,595	215	(256)	1,953	432	(3,003)	2,677	375	511	808
Total primary government	\$ 78,054	\$ 113,822	\$ 107,447	\$ 101,386	\$ 134,709	\$ 138,277	\$ 166,844	\$ 65,837	\$ 66,585	\$ 73,102
Change in Net Assets										
Governmental activities	\$ 3,477	\$ 30,190	\$ 16,140	\$ 3,758	\$ 90,217	\$ 23,516	\$ 22,583	\$ 17,563	\$ 14,899	\$ 21,080
Business-type activities	2,382	232	(764)	1,455	(85)	(3,839)	1,309	586	780	961
Total primary government	\$ 5,859	\$ 30,422	\$ 15,376	\$ 5,213	\$ 90,132	\$ 19,677	\$ 23,892	\$ 18,149	\$ 15,679	\$ 22,041

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>
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
2005	8,094	6,382	3,133	686	18,295
2004	7,576	5,929	2,142	249	15,896
2003	7,468	4,961	2,052	310	14,791
2002	7,294	3,342	1,890	75	12,601

CHEROKEE NATION

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund										
Reserved	\$ 27,282	\$ 35,173	\$ 44,013	\$ 58,967	\$ 36,282	\$ 42,220	\$ 50,241	\$ 46,895	\$ 46,973	\$ -
Unreserved	1,501	4,638	10,726	24,175	36,576	38,861	34,652	21,674	14,636	-
Restricted	-	-	-	-	-	-	-	-	-	39,447
Committed	-	-	-	-	-	-	-	-	-	7,609
Assigned	-	-	-	-	-	-	-	-	-	11,327
Unassigned	-	-	-	-	-	-	-	-	-	4,978
Total general fund	\$ 28,783	\$ 39,811	\$ 54,739	\$ 83,142	\$ 72,858	\$ 81,081	\$ 84,893	\$ 68,569	\$ 61,609	\$ 63,361
All Other Governmental Funds										
Reserved	\$ 15,702	\$ 16,696	\$ 21,372	\$ 21,696	\$ 24,572	\$ 41,018	\$ 32,896	\$ 59,642	\$ 102,399	\$ -
Unreserved, reported in:										
Special revenue funds	-	-	583	583	-	-	-	-	-	-
Capital projects fund	-	-	-	-	(524)	-	-	-	-	-
Nonspendable	-	-	-	-	-	-	-	-	-	11,793
Restricted	-	-	-	-	-	-	-	-	-	75,852
Assigned	-	-	-	-	-	-	-	-	-	9,796
Total all other governmental funds	\$ 15,702	\$ 16,696	\$ 21,955	\$ 22,279	\$ 24,048	\$ 41,018	\$ 32,896	\$ 59,642	\$ 102,399	\$ 97,441

2002 through 2010 fund balances are not comparable to 2011 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)**

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues										
Intergovernmental	\$ 151,117	\$ 167,594	\$ 150,516	\$ 147,048	\$ 166,252	\$ 178,508	\$ 203,570	\$ 255,401	\$ 289,094	\$ 285,686
Property rentals	451	394	585	461	513	575	1,750	4,225	4,432	4,136
Motor fuel tax revenues	7,294	7,468	7,576	8,676	7,406	7,228	7,088	7,514	7,256	7,543
Tax and license revenues	5,788	7,934	9,234	11,741	17,458	18,196	18,292	17,382	17,840	18,840
Interest	2,145	2,320	3,480	5,238	9,651	13,229	7,189	3,013	2,784	2,129
Trust fund income	29	24	90	79	104	67	190	100	101	105
Indirect cost settlement	254	-	646	8,314	2,201	-	-	-	-	-
Dividends from component units	4,050	8,725	11,717	17,919	25,444	33,669	35,001	26,444	26,429	30,074
3rd party revenues	-	-	-	-	-	16,031	17,441	53,868	60,571	72,077
Income from HACN	-	-	-	-	-	-	-	5,851	1,425	1,500
Other	11,011	11,773	19,916	27,185	22,202	14,095	7,006	7,546	8,791	9,686
Total revenues	182,139	206,232	203,760	226,661	251,231	281,598	297,527	381,344	418,723	431,776
Expenditures										
Tribal Government	9,964	10,484	13,645	15,956	15,029	21,377	24,679	28,270	28,105	28,518
Health Services	62,822	66,732	73,248	77,829	84,528	94,478	103,009	177,697	201,773	220,201
Education Services	29,463	31,936	32,158	32,567	35,788	39,618	40,561	45,972	53,455	51,893
Human Services	25,269	24,363	23,748	24,516	26,839	29,238	37,290	36,214	37,625	38,315
Community Services	41,631	61,537	44,486	46,643	42,420	49,318	57,821	66,138	74,971	67,109
Other tribal services	5,309	8,472	9,658	10,834	11,789	15,705	14,640	-	-	-
Debt service										
Principal	313	332	1,272	1,685	3,117	10,912	2,002	5,003	2,148	3,710
Interest	71	454	797	1,472	1,819	2,911	908	1,498	1,251	1,699
Capital outlay	5,289	3,017	1,934	9,659	18,162	26,190	15,436	9,958	7,489	22,853
Total expenditures	180,131	207,327	200,946	221,161	239,491	289,747	296,346	370,750	406,817	434,298
Excess of revenues over (under) expenditures	2,008	(1,095)	2,814	5,500	11,740	(8,149)	1,181	10,594	11,906	(2,522)
Other Financing Sources (Uses)										
Issuance of long-term debt	-	10,245	10,189	13,231	4,260	34,660	1,448	-	24,000	-
Fees associated with debt issuance	-	-	-	-	128	-	-	-	-	-
Insurance recoveries	-	-	-	-	27	8	244	273	399	122
Other proceeds	-	-	976	-	-	-	-	-	-	-
Transfers in	3,703	1,867	2,163	5,900	17,425	20,637	15,549	9,957	21,191	8,587
Transfers out	(8,994)	(2,132)	(2,043)	(9,353)	(17,920)	(21,963)	(22,732)	(10,402)	(21,699)	(9,393)
Total other financing sources (uses)	(5,291)	9,980	11,285	9,778	3,920	33,342	(5,491)	(172)	23,891	(684)
Net change in fund balances	\$ (3,283)	\$ 8,885	\$ 14,099	\$ 15,278	\$ 15,660	\$ 25,193	\$ (4,310)	\$ 10,422	\$ 35,797	\$ (3,206)
Debt service as a percentage of noncapital expenditures	0.22%	0.38%	1.04%	1.49%	2.23%	5.24%	1.04%	1.80%	0.85%	1.31%

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>
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
2005	17,803	587	18,390
2004	18,396	718	19,114
2003	18,099	671	18,770
2002	18,094	324	18,418

Source: Cherokee Nation Tax Commission

CHEROKEE NATION

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

Fiscal Year	Charges for Services	Operating			Capital			Motor Vehicle Tax	Motor Fuel Tax	Other Tax Revenues	Unrestricted			Indirect Cost			Equity Interest in Joint Venture		Gain/(loss) on disposals	Total
		Contributions	Grants & Contributions	Grants & Contributions	Contributions	Grants & Contributions	Earnings				Dividends from Components	Settlement	Miscellaneous	Miscellaneous	Joint Venture	Gain/(loss) on disposals				
2011	\$ 75,773	\$ 283,563	\$ 1,369	\$ 7,543	\$ 8,441	\$ 6,895	\$ 13,394	\$ 1,395	\$ 30,074	\$ -	\$ 5,360	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 433,807		
2010	64,882	289,034	989	7,256	7,707	6,508	11,143	2,059	26,429	-	5,483	-	-	-	-	-	-	421,490		
2009	58,471	258,558	1,994	7,514	7,400	6,922	10,398	2,311	26,444	-	4,848	-	-	-	-	-	-	384,860		
2008	7,569	127,323	86	7,088	8,161	7,462	100,355	5,511	35,001	-	2,222	-	-	-	-	-	-	300,778		
2007	5,504	128,822	142	7,228	7,658	8,171	76,989	8,024	33,669	-	1,456	-	-	-	-	-	-	277,663		
2006	4,313	108,296	411	7,406	7,188	8,207	78,849	6,275	25,444	-	1,268	-	-	-	-	72	-	247,729		
2005	5,193	104,382	-	8,094	6,382	3,819	62,015	3,063	17,919	-	898	-	-	184	-	-	-	211,949		
2004	4,282	100,209	-	7,576	5,929	2,653	65,223	1,607	11,717	11,634	1,108	-	-	-	-	-	-	211,938		
2003	4,366	113,394	-	7,468	4,961	2,973	66,249	1,624	8,725	646	1,144	-	-	-	-	-	-	211,550		
2002	4,548	103,642	-	7,294	3,342	2,445	58,236	1,799	4,050	254	634	-	-	-	-	-	-	186,244		

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)**

Years	Tribal Government	Health Services	Education Services	Human Services	Community Services	Other Tribal Services	Interest on Long Term Debt	Tsa-La-Gi Apartments	Cherokee Trails		Landfill Closure	Ranch Operations	EDTA	Childhood Development Center	Title VI	Other Enterprises	Total
									Golf Club	EDTA							
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	
2005	17,023	79,344	33,429	24,824	35,060	10,623	1,651	352	-	2,252	-	1,115	-	-	15	206,736	
2004	13,627	74,995	32,901	24,160	35,163	11,193	970	356	39	1,917	6	-	-	-	-	196,562	
2003	12,075	67,356	32,423	24,671	51,252	8,750	689	359	192	1,982	52	-	-	-	1	201,160	
2002	9,373	62,235	29,120	25,203	45,478	5,431	235	418	170	1,459	169	-	-	-	3	180,385	

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	Capital Leases			
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
2005	-	35,446	439	1,777	653	653	38,315	1.48%	\$ 372
2004	-	25,331	523	849	368	368	27,071	1.12%	\$ 267
2003	-	16,284	-	1,017	458	458	17,759	0.79%	\$ 178
2002	-	3,514	-	902	298	298	4,714	0.21%	\$ 47

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 FIVE FISCAL YEARS (Dollars in Thousands)**

Fiscal Year	Health Revenue Bonds						Coverage
	Beginning Fund Balance	Operating Revenues	Less: Operating Expenses	Ending Fund Balance	Debt Service		
					Principal	Interest	
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

<u>Year</u>	<u>Population**</u>	<u>Personal Income*** (Dollars in Thousands)</u>	<u>Per Each One Personal Income****</u>	<u>Unemployment Rate*****</u>
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
2005	1,094,425	2,584,685	25,116	4.5
2004	1,088,279	2,422,702	23,898	4.8
2003	1,086,370	2,235,993	22,385	5.6
2002	1,082,197	2,216,549	22,184	4.9

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

Notes:

- * Estimate projected based on previous trends by Cherokee Nation Financial Resources Group
- ** Population data for Counties within the Cherokee Nation Jurisdictional Boundaries
- *** Personal Income information
- **** Per each one Income information from Oklahoma State Data Center - OK Dept of Commerce
- ***** Unemployment Rate September period rate from the Bureau of Labor Statistics Data

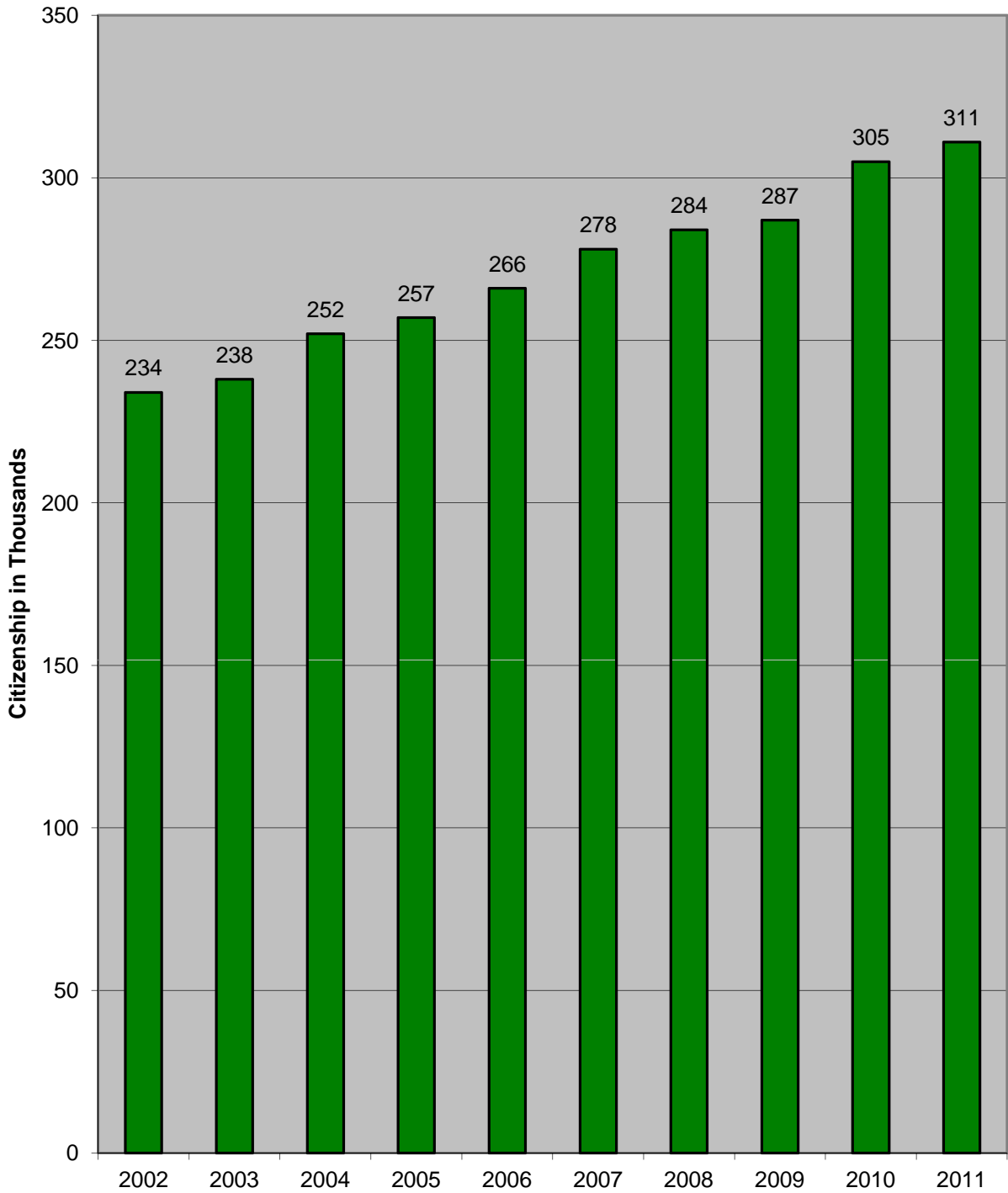
CHEROKEE NATION

PRINCIPAL EMPLOYERS CURRENT AND PAST YEAR

Employer	2010			2011		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
American Airlines & AA	7,000	2	11.89%	7,000	1	23.05%
Cherokee Nation	6,250	3	10.61%	6,500	2	21.40%
Claremore City Schools	750	7	1.27%	750	9	2.47%
Conoco Phillips	4,375	4	7.43%	4,000	3	13.17%
Georgia Pacific Consumer Products	-	-	0.00%	2,000	6	6.58%
Mid-Western Aircraft Systems Inc	-	-	0.00%	3,000	4	9.88%
Labinal Inc	500	10	0.85%	-	-	0.00%
NORDAM Group Inc	1,437	5	2.44%	-	-	0.00%
Northeastern Oklahoma State University	1,250	6	2.12%	2,500	5	8.23%
Owasso Indepent School Dist #1-11	-	-	0.00%	2,000	7	6.58%
State of Oklahoma	36,000	1	61.13%	-	-	0.00%
Tahlequah School District	625	9	1.06%	625	10	2.06%
Verizon (formerly MCI)	700	8	1.19%	-	-	0.00%
Whirlpool Corporation	-	-	0.00%	2,000	8	6.58%
	<u>58,887</u>		<u>100%</u>	<u>30,375</u>		<u>100%</u>

Source: Oklahoma Department of Commerce

CHEROKEE NATION
Tribal Citizenship Growth



Source: Tribal Registration Department

CHEROKEE NATION

**TRIBAL CITIZENSHIP BY DISTRICT
LAST TEN FISCAL YEARS**

District*	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Cherokee	13,909	14,610	15,218	15,706	16,116	16,759	17,242	17,603	18,688	19,120
Craig	5,933	6,140	6,434	6,626	6,868	6,998	7,086	7,137	7,427	7,431
Delaware	11,311	11,693	12,189	12,565	12,879	13,117	10,098	10,317	10,946	11,311
Keeler	10,907	11,446	12,074	12,479	13,158	13,527	13,834	13,991	14,666	14,698
Mayes	9,091	9,575	10,025	10,360	10,605	10,922	11,113	11,231	11,843	12,069
Sequoyah	11,095	11,525	11,986	12,274	12,591	12,868	13,088	13,247	13,769	13,893
Three Rivers	12,962	13,577	14,142	14,510	15,021	15,336	15,564	15,710	16,478	16,594
Trail of Tears	9,795	10,294	10,737	11,083	11,376	11,666	12,054	12,286	12,877	13,110
Will Rogers	8,993	9,350	9,868	10,259	10,666	11,009	8,105	8,396	9,270	9,755
Other	139,688	139,950	149,016	150,681	157,181	166,089	176,229	178,051	189,011	193,271
Total Citizenship	233,684	238,160	251,689	256,543	266,461	278,291	284,413	287,969	304,975	311,252

Source: Tribal Registration Department

* The Nation currently has a five 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.

CHEROKEE NATION

TRIBAL LAND BASE (ACRES) BY COUNTY AS OF SEPTEMBER 30, 2011

County	Tribal Land	Government Land	Restricted Individual	Total Acres
<u>Cherokee Nation:</u>				
Oklahoma:				
Adair	14,654	19	10,411	25,084
Cherokee	1,614	325	9,439	11,378
Craig	327	-	1,843	2,170
Delaware	25,003	10	6,503	31,516
McIntosh	-	-	596	596
Mayes	373	10	5,364	5,747
Muskogee	500	-	2,342	2,842
Nowata	34	-	610	644
Ottawa	-	-	79	79
Rogers	536	10	801	1,347
Sequoyah	2,896	46	5,623	8,565
Tulsa	47	-	204	251
Wagoner	-	-	225	225
Washington	-	-	1,719	1,719
Arkansas Riverbed	14,715	-	-	14,715
<u>Counties Outside Territorial Boundaries:</u>				
Oklahoma:				
Kay	4,230	-	-	4,230
Atoka	10	-	-	10
Choctaw	40	-	-	40
Pittsburg	10	-	-	10
Stephens	80	-	-	80
Texas:				
Red River	630	-	-	630
Dallas	5	-	-	5
Paris	66	-	-	66
Total	<u>65,770</u>	<u>420</u>	<u>45,759</u>	<u>111,949</u>

Source: Cherokee Nation Land Department

CHEROKEE NATION

PRIMARY GOVERNMENT EMPLOYEES BY FUNCTION

LAST TEN FISCAL YEARS

Regular full-time employees only

Function:	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Tribal Government	246	277	232	230	230	238	259	528	466	481
Health Services	572	579	629	627	639	640	726	924	1,039	1,112
Education Services	316	344	393	399	391	387	408	427	474	460
Human Services	206	222	234	251	249	276	291	304	313	322
Community Services	191	120	128	127	182	163	329	362	441	432
Other Tribal Services	178	195	213	236	226	243	241	-	-	-
Total	<u>1,709</u>	<u>1,737</u>	<u>1,829</u>	<u>1,870</u>	<u>1,917</u>	<u>1,947</u>	<u>2,254</u>	<u>2,545</u>	<u>2,733</u>	<u>2,807</u>

Source: Financial Resources

CHEROKEE NATION

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

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011
Health Services									
Primary provider visits*	122,570	109,379	117,270	121,650	119,358	124,824	268,238	301,824	330,050
Dental patient visits	24,519	25,482	22,199	21,436	23,050	21,543	37,786	43,914	30,806
Behavioral health patient visits	8,424	10,148	9,895	9,969	10,322	11,284	16,222	8,969	7,812
Optometry patient visits	12,802	13,700	13,472	14,259	14,548	15,808	23,031	17,781	25,250
Pharmacy patient visits	54,585	61,225	69,151	70,937	74,976	79,487	119,075	247,299	307,394
Other visits**	56,451	72,775	77,307	80,133	76,259	71,820	124,490	122,922	137,255
Pharmacy prescription filled	386,420	410,909	461,409	474,299	500,675	501,601	672,905	1,086,505	1,461,526
Number of new charts	8,139	8,407	7,166	7,074	6,659	7,615	11,605	10,103	9,796
Total number of charts	130,049	139,066	149,861	159,128	168,467	179,416	342,148 ***	356,142	370,794
*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	2,140	2,376	2,708	2,569	2,193	2,304	2,512	2,980	3,158
Higher Education applications funded	1,900	2,085	2,236	2,164	2,095	2,108	2,141	2,768	3,033
Head Start students	270	260	284	317	838	355	328	384	344
Immersion Class students	-	-	-	25	42	30	49	47	56
Sequoyah High School students	360	372	382	400	381	383	394	395	342
Human Services									
Child Care children served through subsidy	3,869	3,742	3,606	3,708	3,649	3,854	4,537	3,333	3,724
Child Care contracted providers	1,019	1,075	994	915	801	729	636	725	614
Child Care technical assistance calls and visits	5,803	3,083	1,397	1,358	2,178	3,053	5,614	3,961	2,886
Child Care monitoring visits to caregivers	1,145	1,092	1,122	1,236	1,124	1,124	957	1,031	1,020
Food Distribution - individuals served	140,150	139,588	131,970	111,139	105,768	114,305	130,253	121,788	104,926
Food Distribution - households served	51,327	52,768	50,892	44,863	43,237	46,049	51,716	49,640	52,087
Tribal Work Experience program participants	219	308	313	192	13	-	-	-	-
Elder Service Advocacy individuals served	1,170	1,236	1,192	1,353	1,431	1,064	642	640	572
Community Services									
Roads/bridges project miles completed	64.20	97.24	96.01	101.72	66.12	128.7	58.22	133.15	50.95
Families served through rental assistance	n/a	n/a	2,121	3,695	2,927	2,578	1,546	1,549	1,366
Families subsidized in Title VI units	n/a	n/a	317	345	-	305	295	274	274
Rehabilitation of privately owned homes	n/a	n/a	89	119	305	565	209	315	346
Acquired or constructed individual homes for low-income families	n/a	n/a	34	31	1	13	12	14	9
Businesses funded through Commerce programs	n/a	n/a	4	6	7	12	21	28	53
Participants enrollments in IDA/YIDA	n/a	n/a	30	28	42	24	30	104	131

Source: Departments/programs as listed

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

CHEROKEE NATION

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities:									
Tribal Government	\$ 2,232	\$ 3,068	\$ 2,520	\$ 2,969	\$ 2,424	\$ 3,013	\$ 41,269	\$ 40,956	\$ 42,732
Health Services	1,911	1,847	2,197	12,883 *	33,898	41,238	45,261	46,134	60,260
Education Services	619	578	1,098	8,246 *	8,885	9,479	9,622	9,968	10,323
Human Services	534	436	328	242	396	571	902	1,173	1,111
Community Services	834	842	1,035	1,384	2,189	3,264	2,715	3,336	5,137
Other Tribal Services	25,564	27,984	33,620	30,719	32,502	37,251	-	-	-
Governmental activities, net	<u>\$ 31,694</u>	<u>\$ 34,755</u>	<u>\$ 40,798</u>	<u>\$ 56,443</u>	<u>\$ 80,294</u>	<u>\$ 94,816</u>	<u>\$ 99,769</u>	<u>\$ 101,567</u>	<u>\$ 119,563</u>
Business -type activities:									
Enterprise Funds	\$ 6,314	\$ 5,605	\$ 6,851	\$ 6,761	\$ 900 *	\$ 599	\$ 548	\$ 645	\$ 588
Business-type activities, net	<u>\$ 6,314</u>	<u>\$ 5,605</u>	<u>\$ 6,851</u>	<u>\$ 6,761</u>	<u>\$ 900</u>	<u>\$ 599</u>	<u>\$ 548</u>	<u>\$ 645</u>	<u>\$ 588</u>

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

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

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

CHEROKEE NATION

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

District*	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Cherokee	3,847	3,814	3,976	4,071	4,097	4,079	4,357	4,421	4,622	4,681
Craig	1,089	1,211	1,257	1,334	1,342	1,296	1,334	1,361	1,378	1,341
Delaware	2,281	2,218	2,236	2,205	2,311	2,315	2,302	2,310	2,336	2,372
Keeler	1,330	1,483	1,618	1,882	1,862	1,785	1,801	1,916	1,871	1,856
Mayes	1,685	1,758	1,906	1,896	2,020	2,062	2,152	2,126	2,199	2,321
Sequoyah	1,939	2,022	2,053	2,033	2,067	2,031	2,124	2,101	2,109	2,158
Three Rivers	1,999	2,152	2,225	2,318	2,468	2,569	2,680	2,713	2,851	2,936
Trail of Tears	1,953	1,992	2,073	2,108	2,151	2,261	2,260	2,403	2,504	2,466
Will Rogers	1,795	2,030	2,177	2,351	2,368	2,324	2,246	2,303	2,598	2,574
Total Cherokee Students	<u>17,918</u>	<u>18,680</u>	<u>19,521</u>	<u>20,198</u>	<u>20,686</u>	<u>20,722</u>	<u>21,256</u>	<u>21,654</u>	<u>22,468</u>	<u>22,705</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 five 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.

Source: MVT apportionment

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