

# **CHEROKEE NATION**

**Tahlequah, Oklahoma**



## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**YEAR ENDED  
SEPTEMBER 30, 2008**



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**CHEROKEE NATION®**

Tahlequah, Oklahoma

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Planting the Seed Corn for Our Children's Future



# Comprehensive Annual Financial Report

YEAR ENDING SEPTEMBER 30, 2008

Prepared by Financial Resources Group

CHEROKEE NATION  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR THE YEAR ENDED SEPTEMBER 30, 2008

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# INTRODUCTORY SECTION



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

ᏆᏃᏁᏁ  
Chad "Cornassel" Smith  
Principal Chief  
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Joe Grayson, Jr.  
Deputy Principal Chief

March 27, 2009

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

We are pleased to submit the Comprehensive Annual Financial Report of the Cherokee Nation (the "Nation" or "Tribe") for the fiscal year ended September 30, 2008. Accountability for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Nation. We believe the data presented is accurate in all material aspects, and fairly presents the financial position and results of operations for the year ended September 30, 2008.

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

## Organization of the Government

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

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

- (1) ***Executive Branch*** - The executive power is vested in the Principal Chief, currently Chadwick "Cornassel" Smith. The Principal Chief is responsible for the execution of the laws of the Cherokee Nation, establishment of tribal policy and delegation of authority, as is necessary for the administrative functions of the Cherokee Nation. The Principal Chief maintains an office at the W. W. Keeler Tribal Complex in Tahlequah (Cherokee County), Oklahoma. The Deputy Chief, currently Joe Grayson, Jr., is empowered to act as directed by the Principal Chief.

- (2) **Legislative Branch** - The Legislature consists of seventeen (17) tribal council members, who are citizens of the Cherokee Nation. The Tribal Council is elected to four-year terms from the nine districts of the Cherokee Nation and two at-large members who represent citizens living outside the jurisdictional area. The Council elects a Speaker, currently Meredith A. Frailey and a Deputy Speaker, currently Cara Cowan-Watts. The role of the Tribal Council is to adopt legislation and to conduct other business in the best interest of the Cherokee people.
- (3) **Judicial Branch** - The Judicial Branch consists of the Supreme Court and the Cherokee Nation District Court. Supreme Court Justices are appointed by the Principal Chief and confirmed by the Tribal Council. The Chief Justice currently is Darrell R. Matlock. The primary responsibility of the Justices is to hear and resolve any disagreements arising under the provisions of the Constitution or any enactment of the Tribal Council. The District Court system hears all cases brought before it under jurisdiction of the Cherokee Nation Code Annotated, Title 20, Courts and Procedure.

Between 1907 and 1971, the President of the United States appointed the Principal Chief of the Cherokee Nation. Special Congressional legislation was enacted to restore elective rights to the Cherokee people and, in 1971 W. W. Keeler became the first elected Principal Chief of the Cherokee Nation under this legislation. In 1975, Ross O. Swimmer was elected to the office of the Principal Chief and was re-elected in 1979 and 1983. In December 1985, Ross O. Swimmer resigned as Principal Chief of the Nation to become the Assistant Secretary of the Department of Interior for the Bureau of Indian Affairs. The vacated office of the Principal Chief was devolved upon Wilma P. Mankiller, formerly Deputy Chief, for the remainder of the term and she was elected to consecutive four-year terms in 1987 and 1991. Wilma Mankiller chose not to seek re-election in 1995. Joe Byrd was elected as Principal Chief in 1995. In 1999, Chad Smith was elected as Principal Chief. He was re-elected as Principal Chief in the 2003 and 2007 tribal elections and has continued his mission of improving services, increasing cultural awareness and increasing the resources for the betterment of the Cherokee Nation throughout 2008.

## **Government Services Provided**

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

The Constitution also created an office of Attorney General and an office of Marshal. The 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 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's duties and authority are prescribed by law. The Marshal provides law enforcement within the jurisdiction of the Cherokee Nation.

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

These Teams are comprised of the following:

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

## **Reporting Entity**

The Nation determines its financial reporting entity in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 14, "The Financial Reporting Entity," as amended by GASB Statement No. 39 and, based on that criterion, has included the following entities as component units within the Nation's basic financial statements.

- Cherokee Nation Businesses, LLC ("CNB") and related companies
- Housing Authority of the Cherokee Nation ("HACN")
- Cherokee Nation Comprehensive Care Agency ("CNCCA")
- Cherokee Nation Home Health Services, Inc. ("CNHHS")
- Cherokee Nation Economic Development Trust Authority ("EDTA")

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



## **Excluded Organizations**

During 2008, the following organizations did not meet the criteria for inclusion in the reporting entity and accordingly their financial operations are excluded from this report.

Cherokee Nation Education Foundation  
Cherokee National Historical Society

## **Financial Information**

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

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

As a part of the Nation's single audit, tests are made to determine the adequacy of the internal 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 for the fiscal year ended September 30, 2008, are included in a separately issued Single Audit Report.

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

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

The basic financial statements contain a budget and actual comparative statement for the General Fund, a legally budgeted fund. A budgetary statement for enterprise funds, which are also legally budgeted, is included in the budgetary information section of Other Supplementary Information. Budgets for the Nation are prepared on the same basis of accounting as the financial reports; therefore, no reconciliation is necessary.

## **Economic Outlook**

Since fiscal year 2002, the Cherokee Nation primary government has increased its total assets by approximately \$244,370,000 or 180%. This growth is aligned with our vision for the Cherokee Nation as stated in the Declaration of Designed Purpose. This vision states, "The Cherokee Nation shall achieve and maintain an enriching cultural identity, economic self-reliance, and a strong government." The Nation's long-term financial planning process utilizes a Strategic Budget Committee to ensure discretionary resources are used to support the vision of the Nation. The planning process encompasses the annual financial budget process, as well as long-term strategic planning for use of the Nation's resources.

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

## **Use of the Report**

This report will be submitted to the Federal Clearing House and the National Business Center ("NBC"), 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 ("MD&A") 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 for the fiscal year ended September 30, 2007. This was the seventh 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. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements. We are submitting it to the GFOA to determine its eligibility for another certificate.

### **Acknowledgements**

The preparation of the 2008 Comprehensive Annual Financial Report ("CAFR") was an extremely complex task requiring the professional skills of the entire Financial Resources Group. We would like to express our gratitude to the Financial Resources Group for their dedication and hard work. We would also like to thank BKD, LLP, independent auditors for the Cherokee Nation, for the guidance and technical assistance in completing this CAFR.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Callie Catcher".

Callie Catcher  
Treasurer

**Cherokee Nation  
Tribal Officials  
2008**

**EXECUTIVE BRANCH**

**Chadwick "Corntassel" Smith  
Principal Chief**

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

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**LEGISLATIVE BRANCH**

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

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

**Bill John Baker  
District 1  
Cherokee**

**Tina Glory-Jordan  
District 1  
Cherokee**

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

**Jody Fishinghawk  
District 2  
Trail of Tears**

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

**Janelle Lattimore-Fullbright  
District 3  
Sequoyah**

**Don Garvin  
District 4  
Three Rivers**

**Harley Buzzard  
District 5  
Delaware**

**Curtis Snell  
District 5  
Delaware**

**Chris Soap  
District 6  
Mayes**

**Buel Anglen  
District 8  
Oologah**

**Bradley Cobb  
District 8  
Oologah**

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

**Jack D. Baker  
At Large**

**Julia Coates  
At Large**

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**JUDICIAL BRANCH**

**Supreme Court**

**Darrell R. Matlock  
Chief Justice**

**Darrell R. Dowty  
Justice**

**James G. Wilcoxon  
Justice**

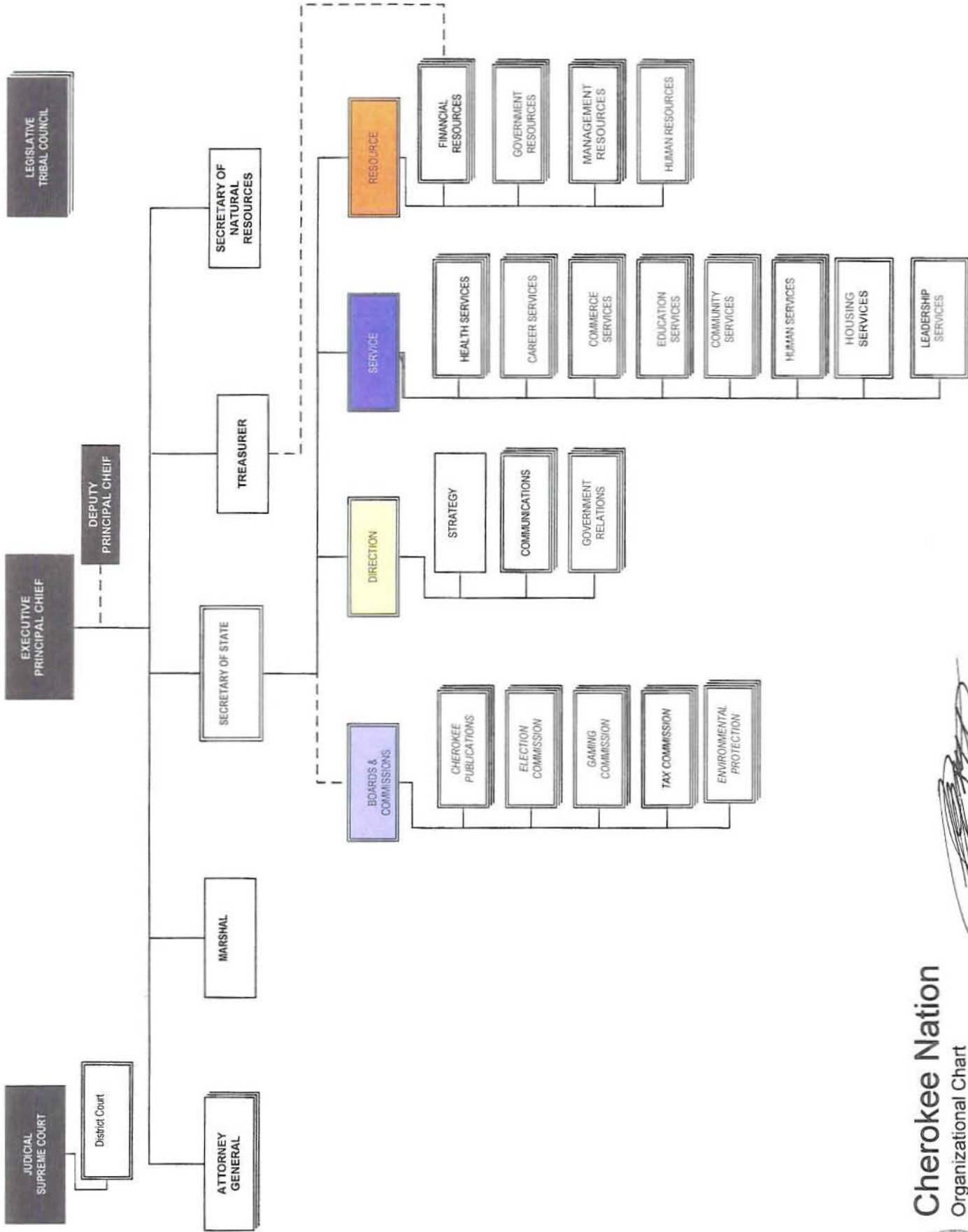
**Kyle B. Haskins  
Justice**

**Troy Wayne Poteete  
Justice**

**District Court**

**John Cripps  
Judge**

**Bart Fite  
Judge**



**Cherokee Nation**  
 Organizational Chart  
 September 30, 2008



# 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, 2007

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.



President

Executive Director

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# FINANCIAL SECTION



## Independent Accountants' Report on Financial Statements and Supplementary Information

The Principal Chief and Tribal Council  
Cherokee Nation  
Tahlequah, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Cherokee Nation (the Nation) as of and for the year ended September 30, 2008, which collectively comprise the Nation's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Nation's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Housing Authority of the Cherokee Nation (HACN) or Cherokee Nation Comprehensive Care Agency (CNCCA), which are discretely presented component units of the Nation. The financial statements of HACN and CNCCA, which collectively comprise 24% of total assets and 1% of total operating revenues of the aggregate discretely presented component units, were audited by other accountants whose reports have been furnished to us and our opinion, insofar as it relates to the amounts included for HACN and CNCCA, is based solely on the reports of the other accountants.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of Cherokee Nation Comprehensive Care Agency, a discretely presented component unit included in the financial statements of the Nation, 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, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2009, 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 Principal Chief and Tribal Council  
Cherokee Nation

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

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

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

*BKD LLP*

March 27, 2009

## 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, 2008. Readers of the Nation's financial statements are encouraged to utilize this information in conjunction with the information provided in the letter of transmittal, which precedes this section, and the accompanying basic financial statements and disclosures following this section.

### FINANCIAL HIGHLIGHTS – PRIMARY GOVERNMENT

- The Nation's assets exceeded its liabilities at the end of fiscal year 2008 by \$189 million (net assets). Of this total amount, \$90 million are unrestricted net assets that may be used to meet the government's ongoing obligations.
- The Nation's overall liabilities decreased by approximately \$11 million to \$191 million.
- The net assets increased by \$24 million, which is largely attributable to unspent program income in Self Governance Department of Health and Human Services ("DHHS").

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

#### Basic Financial Statements

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

#### Government-Wide Financial Statements

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

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

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

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

- *Governmental Activities* – This section presents information about activities supported by dividends from component units, taxes, intergovernmental revenues (state and federal grants), and private grants. The services provided by the Nation's government generally fall into this category, including tribal government, health services, education services, human services, community services, and other tribal services.
- *Business-Type Activities* – These types of activities are intended to recover all or a substantial portion of their costs through user fees and charges to external users of the goods and services. The active business type activities of the Nation include the Title VI Loan Fund, Tsa-La-Gi Apartments, Landfill Operations, Economic Development Trust Authority, and Other Enterprise Activities. The operation of the Nation's Landfill was transferred to its discretely presented component unit effective July 1, 2008.
- *Discretely Presented Component Units* – These are the operations for which the Nation has financial accountability, but have certain independent qualities, such as an independent Board of Directors. For the most part, these units operate similar to private-sector business.

The Nation's discretely presented component units are:

- Cherokee Nation Businesses, LLC ("CNB") and related companies
- The Housing Authority of the Cherokee Nation ("HACN")
- Cherokee Nation Comprehensive Care Agency ("CNCCA")
- Cherokee Nation Home Health Services, Inc. ("CNHHS")

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

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

### **Fund Financial Statements**

A fund is a group of related accounts that is used to maintain control over resources that have been separated for specific activities or objectives. The Nation, like state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The fund financial statements focus on individual activities of the Nation's government, providing more detail than the government-wide financial statements. The funds of the Nation are divided into three types, which use different accounting approaches and should be interpreted differently. The three types of funds are:

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

Because the focus of the governmental funds is narrower than that of the government-wide financials statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the readers may better understand the long-term impact of the government's near-term financing decisions. The Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on pages 29 and 31 of the financial statements.

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

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

The proprietary funds financial statements can be found on pages 33 - 35 immediately following the governmental fund financial statements. The Nation's propriety funds include Enterprise and Internal Service Funds, which are described below.

*Enterprise Funds* – The Nation has one major enterprise fund and four nonmajor enterprise funds for presentation purposes. The major fund is the Nation’s Title VI Loan Fund. The nonmajor funds are the Nation’s Tsa-La-Gi Apartments, Landfill Operations, Economic Development Trust Authority (“EDTA”), and Other Enterprises. The nonmajor enterprise combining financial statements can be found on pages 86 - 88 of this report.

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

The internal service funds are:

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

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

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

The financial statements for component units can be found on pages 36 - 38 of this report.

## **Notes to Basic Financial Statements**

The notes to basic financial statements provide additional information that is essential for a full understanding of the data provided in the government-wide and the fund financial statements. The notes to basic financial statements can be found on pages 39 - 83 of this report.

## Supplementary Information

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

## Statistical Information

The statistical section provides financial statement users with additional detailed information as a context for understanding the information in the financial statements, notes to the financials statements, and required supplementary information as it relates to the government's overall financial health. Included in the statistical section are schedules related to financial trends, revenue capacity, debt capacity, demographic and economic indicators, and operating information. The statistical information section begins on page 95.

## COMPARATIVE ANALYSIS FOR MAJOR FUNDS

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

Major Fund	2008	2007	Increase/ (Decrease)	Percentage Increase/ (Decrease)
General Fund				
Revenues and transfers in	\$ 79,387	\$ 72,865	\$ 6,522	9.0 %
Expenditures and transfers out	75,575	64,642	10,933	16.9 %
Self Governance DOI Roads				
Revenues and transfers in	19,964	10,036	9,928	98.9 %
Expenditures and transfers out	19,964	10,036	9,928	98.9 %
Self Governance DHHS				
Revenues and transfers in	90,045	74,750	15,295	20.5 %
Expenditures and transfers out	81,220	77,258	3,962	5.1 %
Housing and Urban Development				
Revenues and transfers in	32,965	32,694	271	0.8 %
Expenditures and transfers out	32,603	32,694	(91)	(0.3)%
Title VI Loan Fund				
Revenues and transfers in	1,464	3,582	(2,118)	(59.1)%
Expenses and transfers out	1,458	3,579	(2,121)	(59.3)%

#### General Fund:

Increases for General Fund revenues are primarily the result of increased dividends from component units due to greater profits from gaming operations and increased rental revenues from Housing Activities. Transfers in increased as a result of transferring Arkansas Riverbed funds from the Special Revenue fund to the General Fund during fiscal year 2008.

General Fund expenditures and transfers out increased in fiscal year 2008 as compared to fiscal year 2007 by a total of \$11 million as a result of new and expanded projects that contribute to the Nation's strategic initiatives of jobs, language, and communities.

#### Self Governance DOI Roads:

Both the revenues and transfers in and expenditures and transfers out increased due to new road contracts including \$6 million for a joint project with the State of Oklahoma in Tulsa County.

#### Self Governance DHHS:

Self Governance DHHS revenues increased in fiscal year 2008 primarily due to serving more patients through expanded services and an additional clinic.

Self Governance DHHS expenditures and transfers out increased due to expanded services, an additional clinic and equipment.

#### Housing and Urban Development:

Revenues and transfers in slightly increased in the HUD programs as a result of the assumption of services formerly provided by the Housing Authority of the Cherokee Nation ("HACN").

HUD expenditures and transfers out decreased slightly from fiscal year 2007 due to the cash match requirements during fiscal year 2007 which were not required to be made in fiscal year 2008.

The Title VI Loan Fund revenues and transfers in and expenses and transfers out decreased in fiscal year 2008 as compared to fiscal year 2007 in part due to the change in the accounting fund type from a Special Revenue Fund to an Enterprise Fund in fiscal year 2008 which caused a change in the basis of accounting and also due to a reduction in interest rates which resulted in lower interest income and expense.

## **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 ending September 30, 2008 were \$349 million. Of the \$349 million,



\$95 million is 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, 2008 were \$163 million. Of this amount, approximately \$33 million relates to long-term obligations primarily for the bonds issued to construct two health clinics and expand a third health clinic. Other liabilities represent 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, 2008 by \$186 million, which is stated as net assets.

The Nation's business-type activities have total assets of \$31 million at September 30, 2008. Of the \$31 million, \$1 million is 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 \$29 million. The majority of this amount is related to long-term obligations primarily for the Title VI guaranteed loan program used to provide affordable housing to Tribal citizens, to finance capital asset acquisitions, economic development trust authority loans for small business development, and the Landfill. Other liabilities represent 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, 2008 by \$3 million, which is stated as net assets. The following table presents the Nation's net assets for the primary government (dollars in thousands):

	Cherokee Nation's Net Assets						
	Governmental Activities		Business-Type Activities		Total		Increase/ (Decrease)
	2008	2007	2008	2007	2008	2007	
Current and other assets	\$ 253,856	\$ 279,281	\$ 30,749	\$ 6,144	\$ 284,605	\$ 285,425	\$ (820)
Capital assets	<u>94,816</u>	<u>80,294</u>	<u>599</u>	<u>900</u>	<u>95,415</u>	<u>81,194</u>	<u>14,221</u>
Total assets	<u>348,672</u>	<u>359,575</u>	<u>31,348</u>	<u>7,044</u>	<u>380,020</u>	<u>366,619</u>	<u>13,401</u>
Long-term debt outstanding	32,845	33,406	26,403	29,768	59,248	63,174	(3,926)
Other liabilities	<u>129,812</u>	<u>136,389</u>	<u>2,402</u>	<u>2,390</u>	<u>132,214</u>	<u>138,779</u>	<u>(6,565)</u>
Total liabilities	<u>162,657</u>	<u>169,795</u>	<u>28,805</u>	<u>32,158</u>	<u>191,462</u>	<u>201,953</u>	<u>(10,491)</u>
Net assets invested in capital assets, net of related debt	62,021	53,781	204	162	62,225	53,943	8,282
Restricted	36,739	26,278	310	-	37,049	26,278	10,771
Unrestricted	<u>87,255</u>	<u>83,373</u>	<u>2,029</u>	<u>1,072</u>	<u>89,284</u>	<u>84,445</u>	<u>4,839</u>
Total net assets	<u>\$ 186,015</u>	<u>\$ 163,432</u>	<u>\$ 2,543</u>	<u>\$ 1,234</u>	<u>\$ 188,558</u>	<u>\$ 164,666</u>	<u>\$ 23,892</u>

The Title VI Loan Fund previously was accounted for as a governmental activity prior to Fiscal Year 2008. During Fiscal Year 2008, the Title VI Loan Fund was recharacterized as a business type activity.

\$62 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, \$90 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, 2008, 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 \$24 million, or 15%, during the year. Total revenues for fiscal year ended September 30, 2008 were \$302 million. Total expenses of the Nation were \$278 million, which cover a variety of services. Approximately 37% of the total expenses were for health care for Tribal citizens. In total, governmental-type revenue exceeded expenses by \$23 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 2008 are as follows (dollars in thousands):

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

	Governmental		Business-Type		Total	
	2008	2007	2008	2007	2008	2007
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 4,420	\$ 2,942	\$ 3,149	\$ 2,562	\$ 7,569	\$ 5,504
Operating grants/contributions	127,323	128,822	-	-	127,323	128,822
Capital grants/contributions	86	142	-	-	86	142
General revenues:						
Motor fuel tax	7,088	7,228	-	-	7,088	7,228
Motor vehicle tax	8,161	7,658	-	-	8,161	7,658
Tobacco tax and fees	6,254	6,956	-	-	6,254	6,956
Sales tax	1,208	1,215	-	-	1,208	1,215
Grants and contributions not restricted to specific programs	100,355	76,989	-	-	100,355	76,989
Unrestricted investment earnings	5,439	7,631	72	393	5,511	8,024
Dividends from Component Units	35,001	33,669	-	-	35,001	33,669
Miscellaneous	2,222	1,375	-	81	2,222	1,456
Gain/(loss) on disposals	-	-	1,044	-	1,044	-
<b>Total revenues</b>	<b>297,557</b>	<b>274,627</b>	<b>4,265</b>	<b>3,036</b>	<b>301,822</b>	<b>277,663</b>
<b>Expenses:</b>						
Tribal government	24,639	21,624	-	-	24,639	21,624
Health services	103,177	92,163	-	-	103,177	92,163
Education services	40,365	39,096	-	-	40,365	39,096
Human services	37,003	28,962	-	-	37,003	28,962
Community services	51,693	49,131	-	-	51,693	49,131
Other tribal services	15,033	15,650	-	-	15,033	15,650
Interest on long-term debt	1,503	3,044	-	-	1,503	3,044
<b>Total governmental expenses</b>	<b>273,413</b>	<b>249,670</b>	<b>-</b>	<b>-</b>	<b>273,413</b>	<b>249,670</b>
Title VI Loan Fund	-	-	1,458	-	1,458	-
Tsa-La-Gi Apartments	-	-	394	388	394	388
Landfill Operations	-	-	2,292	2,853	2,292	2,853
EDTA	-	-	373	139	373	139
Other Enterprises	-	-	-	18	-	18
<b>Total business-type expenses</b>	<b>-</b>	<b>-</b>	<b>4,517</b>	<b>3,398</b>	<b>4,517</b>	<b>3,398</b>
Increase in net assets before transfers	24,144	24,957	(252)	(362)	23,892	24,595
Special Item	-	-	-	(4,918)	-	(4,918)
Transfers	(1,561)	(1,441)	1,561	1,441	-	-
Change in net assets	22,583	23,516	1,309	(3,839)	23,892	19,677
Net assets—Beginning of year	163,432	139,916	1,234	5,073	164,666	144,989
<b>Net assets—End of year</b>	<b>\$ 186,015</b>	<b>\$ 163,432</b>	<b>\$ 2,543</b>	<b>\$ 1,234</b>	<b>\$ 188,558</b>	<b>\$ 164,666</b>

As indicated earlier in this report, the increase in net assets in 2008 is largely attributable to unspent program income in SG DHHS. The more significant increases in expenses in fiscal year 08 as compared to fiscal year 07 are as follows:

**Tribal government** – Increased funding for the Advocacy Initiative, PACE operating contribution, Higher Education scholarships, and a new initiative of a digitization project along with discretionary incentives for all employees.

**Health services** – Increased funding for contract health, health equipment replacement, WIC, health clinic construction, health clinic operations, drug abuse treatment and rehabilitation, and all inclusive care for the elderly.

Education services – Increased funding for the Immersion, Directed Studies, After School, Arts Institute, Public School Outreach, and Community Investment programs and computer upgrades for the training center.

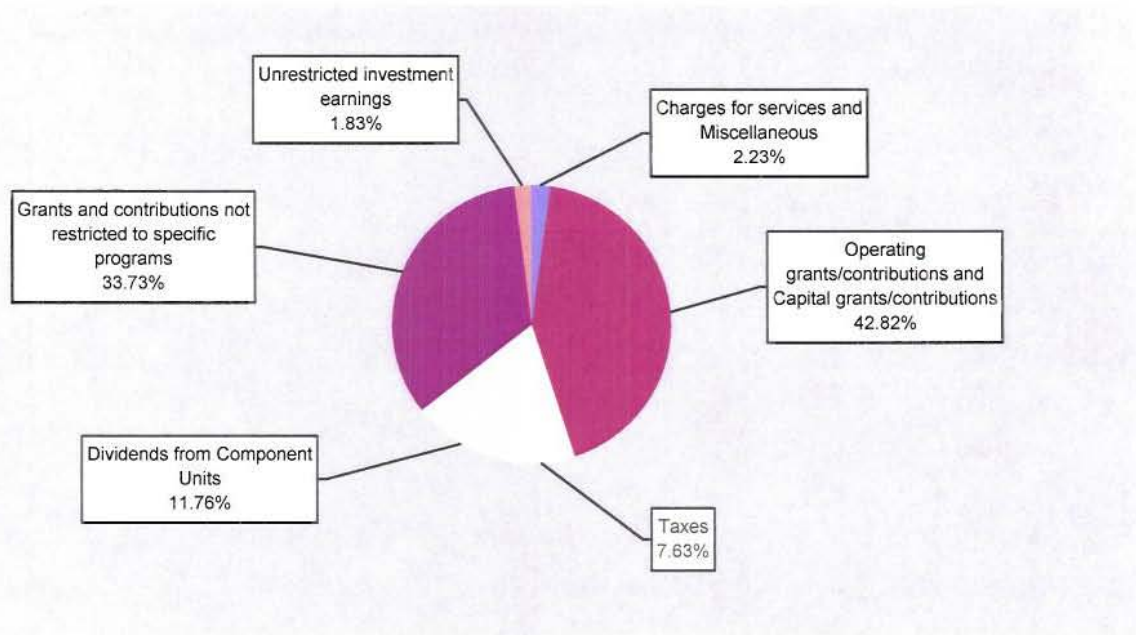
Human services – Increased funding for the Indian Child Welfare, PL102-477 Child Care, Family Preservation, Meth Reduction Initiatives, Senior Nutrition Sites, Child Support Enforcement, Food Distribution, Rental Assistance, Juvenile Healing to Wellness programs and Stoves, Heating, and A/C Assistance.

Community services – Increased funding for strategic initiatives of the Nation including Self Help Community Buildings, Community Planning, CNE Inspections, Community Organization Training and Technical Assistance, as well as Mutual Help Operations, Rural Rental Operations, MEPA, and Proceeds of Sale related to Housing Activities.

Other tribal services – Decreased funding for Emergency Ice Storm Assistance and Tribal Election Fund offset by increases for Gaming Commission, Water Planning, EPC Cultural Resources, Pow Wow Grounds, Veterans Center, and Land Acquisition and Development.

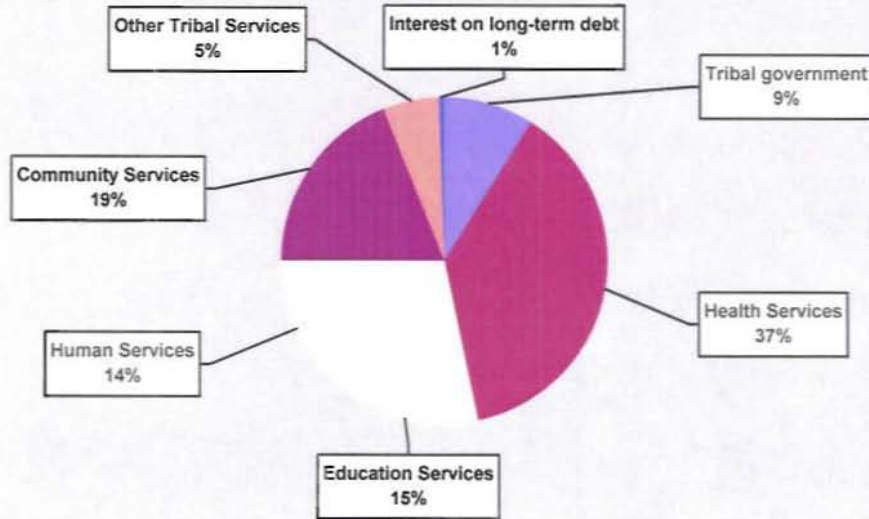
Graph 1 depicts revenues by source for the Governmental Activities of the Nation.

**Graph 1 – Revenue by Source - Governmental Activities**



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

**Graph 2 - Expenses - Governmental Activities**



For more detailed information on the charts presented above, refer to the Statement of Activities on page 28.

## SIGNIFICANT BUDGET VARIATIONS

The Nation's significant General Fund budget variations in 2008 were as follows (dollars in thousands):

	Original Budget	Final Budget	Variance Increase/ (Decrease)	Percentage Increase/ (Decrease)	Actual	Variance Increase/ (Decrease)	Percentage Increase/ (Decrease)
Revenues:							
Property Rentals	478	480	2	-	1,750	1,270	265%
Taxes, licenses, and fees	24,189	22,800	(1,389)	(6%)	25,380	2,580	11%
Interest	1,997	1,998	1	-	2,706	708	35%
Dividends from component units	36,000	36,000	-	-	35,001	(999)	(3%)
Other	1,159	5,183	4,024	347%	2,706	(2,477)	(48%)
Expenditures:							
Tribal government	29,118	38,081	8,963	31%	20,926	(17,155)	(45%)
Health services	7,198	11,598	4,400	61%	8,432	(3,166)	(27%)
Education services	15,785	16,880	1,095	7%	10,304	(6,576)	(39%)
Human services	3,797	4,167	370	10%	3,565	(602)	(14%)
Community Services	10,010	15,857	5,847	58%	10,342	(5,515)	(35%)
Other tribal services	16,633	18,492	1,859	11%	8,753	(9,739)	(53%)
Debt service	88	339	251	285%	339	-	-
Capital outlay	15,198	17,955	2,757	18%	5,154	(12,801)	(71%)

The Nation's Tribal Council approves a comprehensive annual budget prior to the beginning of the fiscal year. During the year, budget modifications are submitted to Council based on changes in levels of actual revenue and expenses. Variances between actual and final budget are as follows:

### General Fund Revenues:

Property rentals – Actual revenues were higher due to rental receipts formerly recorded on HACN records.

Taxes, licenses, and fees - Actual revenues were higher due to receipt of tobacco taxes.

Interest - Actual income was greater than budgeted primarily due to larger cash balances during 2008.

Dividends from component units - 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, currently 30%. Dividend income from component units was lower than budget due to leveling of profits for the gaming operations.

Other – Actual revenues were less than budget due to certain contracts/agreements with CNE and CNHS not producing the level of revenues as was budgeted, certain housing

activities budgeted in the General Fund are reported in the HUD (Special Revenue) Fund, other housing activities not receiving the level of revenues as was budgeted, and revenues from other housing activities were reported as Property Rental revenues though budgeted as Other revenues.

**General Fund Expenditures:**

Tribal government - The actual expenditures were less than budget, primarily due to reserves established for cash match for grants, contingencies and capital improvements which were not utilized in 2008.

Health services - Actual expenditures were less than budget mainly due to timing of expenditures. Funds for contract health services and cancer/diabetes treatment and prevention were obligated at year-end; however, the services were not yet provided resulting in less expenditures than anticipated in the budget.

Education services – Actual expenditures were less than budget due to program budgets not expended at the level originally planned and timing differences for distribution of tuition which were budgeted.

Human services – Actual expenditures were slightly less than budget, due to program budgets expended at lower than anticipated levels.

Community services – Actual expenditures were less than budget mainly due to timing of several projects, including self-help waterlines and road construction and the assumption of housing services formerly reported under HACN.

Other tribal services – Actual expenditures were less than budget, primarily as a result of reserves for Motor Vehicle revenue allocations which are reserved in the current year and expended in the following year.

Capital outlay - The Nation’s budget included approximately \$10 million for strategic land and building purchases from the proceeds of the Arkansas Riverbed settlement funds. Actual expenditures were less than budget partially due to timing of land and building purchases.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

The Nation’s capital assets, net of depreciation, at the end of fiscal year 2008 were \$95 million. The Nation has no public domain (infrastructure) capital assets. The following table presents details of the Nation’s capital assets, net of depreciation (dollars in thousands):

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Land and improvements	\$ 15,013	\$ 81	\$ 15,094
Construction in Progress	1,316	-	1,316
Buildings and improvements	67,543	518	68,061
Equipment	<u>10,944</u>	<u>-</u>	<u>10,944</u>
Total capital assets	<u>\$ 94,816</u>	<u>\$ 599</u>	<u>\$ 95,415</u>

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

The Nation's long-term debt at the end of fiscal year 2008 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, 2008 (dollars in thousands):

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Notes payable	\$ 2,564	\$ 26,403	\$ 28,967
Bonds payable	28,460	-	28,460
Capital leases payable	1,821	-	1,821
Total long-term debt	<u>\$ 32,845</u>	<u>\$ 26,403</u>	<u>\$ 59,248</u>

The Nation, as a tribal government, has the ability to incur debt, similar to a state or local government. The Nation entered into an agreement with JP Morgan Chase, which was previously Bank One, guaranteed by the United States Department of Housing and Urban Development's Title VI program. The purpose of the credit facility was to loan money to the HACN who, in turn, used the money in the building of affordable housing for Tribal citizens. As of September 30, 2008, borrowings under this credit facility totaled approximately \$24,494,000.

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

Additional information on the Nation's long-term debt can be found in Note 9 on pages 66 - 72 of this report.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

In 2008, the Nation completed construction of Health services facilities in Nowata and Muskogee resulting in increased services and revenues due to the increased capacity and expanded services. The Nation will continue to provide affordable housing for Tribal citizens through housing rehabilitation, mortgage assistance programs and rental subsidies. Budgeted expenditures and transfers for the Nation's General Fund for fiscal year 2009 total \$117 million, approximately \$27 million less than the final amounts budgeted for fiscal year 2008 due to higher carryover funding in 2008 for one-time projects in areas such as land acquisitions. The recently enacted American Recovery and Reinvestment Act (ARRA) will provide additional funding to the Nation through a series of grants and loans distributed by various federal agencies. This one-time funding will be utilized by the Nation to address infrastructure needs of the citizens, such as roads, water and sanitation and housing.

There continues to be significant new entries to the gaming market in Oklahoma as well as expansions along the Oklahoma and Texas borders. While these additions to the market are not direct competitors, they do offer competition for the regional customer. Announcements and groundbreaking by other tribes in the Tulsa market provide direct competition for the Nation's Catoosa casino operated by Cherokee Nation Enterprises, LLC



("CNE"). To address the competitive factors, CNE has begun an aggressive growth and development strategy for its flagship properties. Expansions continue to be underway for Roland, West Siloam Springs and Catoosa. In addition to expansions, CNE continues its innovative approach to offering the newest gaming options available as well as development of proprietary games. CNE continues its initiatives to improve loyalty within its existing customer base including targeted marketing and rewards programs.

## **CONTACTING THE NATION'S FINANCIAL MANAGEMENT**

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

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# BASIC FINANCIAL STATEMENTS

**CHEROKEE NATION**

**STATEMENT OF NET ASSETS**

**SEPTEMBER 30, 2008**

(Dollars in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and cash equivalents	\$ 174,622	\$ 1,991	\$ 176,613	\$ 82,300
Investments	23,602	-	23,602	44,803
Accounts receivable, net	12,822	1	12,823	16,213
Interest receivable	-	-	-	456
Mortgages receivable, Title VI and partnerships, current	-	-	-	556
Due from other funds - Internal Balances	273	(273)	-	-
Due from component units	256	21	277	-
Inventories	1,647	-	1,647	12,637
Notes receivable	111	2,118	2,229	9
Other current assets	9,022	2	9,024	5,278
Restricted cash, cash equivalents and investments	30,072	2,631	32,703	30,441
Long-term notes receivable	-	24,258	24,258	1,575
Long-term mortgages receivable, Title VI and partnerships	-	-	-	24,301
Deferred loan issuance costs	-	-	-	1,334
Other assets	1,429	-	1,429	1,504
Investment in joint ventures/partnerships	-	-	-	4,979
Capital assets, non depreciable	15,790	81	15,871	175,253
Capital assets, depreciable, net	79,026	518	79,544	204,510
<b>Total assets</b>	<b>348,672</b>	<b>31,348</b>	<b>380,020</b>	<b>606,149</b>
<b>Liabilities</b>				
Accounts payable and accrued liabilities	25,062	172	25,234	89,642
Due to primary government	-	-	-	277
Compensated absences	4,673	-	4,673	-
Other current liabilities	5,312	21	5,333	-
Unearned revenue	647	-	647	93
Deferred grant revenue	94,118	-	94,118	-
Notes payable and long-term debt				
Due within one year	2,043	1,978	4,021	2,489
Due in more than one year	28,981	24,425	53,406	25,832
Capital leases				
Due within one year	503	-	503	-
Due in more than one year	1,318	-	1,318	-
Trust liabilities	-	-	-	9,286
Other noncurrent liabilities	-	2,209	2,209	-
<b>Total liabilities</b>	<b>162,657</b>	<b>28,805</b>	<b>191,462</b>	<b>127,619</b>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	62,021	204	62,225	345,934
Restricted for				
Motor vehicle tax	6,018	-	6,018	-
Tobacco surtax	3,219	-	3,219	-
Permanent Funds - expendable	143	-	143	-
Permanent Funds - nonexpendable	425	-	425	-
Judgment funds - nonexpendable	3,005	-	3,005	-
Construction	16	-	16	17,866
Arkansas River Drybed Lands Settlement	2,263	-	2,263	-
Debt service	1,740	-	1,740	2,555
Program services	19,910	-	19,910	29,617
Tsa-La-Gi repair and replacements	-	310	310	-
Unrestricted net assets	87,255	2,029	89,284	82,558
<b>Total net assets</b>	<b>\$ 186,015</b>	<b>\$ 2,543</b>	<b>\$ 188,558</b>	<b>\$ 478,530</b>

See notes to basic financial statements

**CHEROKEE NATION**

STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED SEPTEMBER 30, 2008  
 (Dollars in Thousands)

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	Component Units
<b>Primary Government:</b>								
Governmental activities:								
Tribal government	\$ 24,639	\$ -	\$ 979	\$ 86	\$ (23,574)	\$ -	\$ (23,574)	\$ -
Health services	103,177	-	37,147	-	(66,030)	-	(66,030)	-
Education services	40,365	-	28,298	-	(12,067)	-	(12,067)	-
Human services	37,003	-	31,184	-	(5,819)	-	(5,819)	-
Community services	51,693	1,120	25,367	-	(25,206)	-	(25,206)	-
Other tribal services	15,033	3,300	4,348	-	(7,385)	-	(7,385)	-
Interest on long-term debt	1,503	-	-	-	(1,503)	-	(1,503)	-
Total governmental activities	<u>273,413</u>	<u>4,420</u>	<u>127,323</u>	<u>86</u>	<u>(141,584)</u>	<u>-</u>	<u>(141,584)</u>	<u>-</u>
Business-type activities:								
Title VI Loan Fund	1,458	1,303	-	-	-	(155)	(155)	-
Tsa-La-Gi Apartments	394	525	-	-	-	131	131	-
Landfill Operations	2,292	1,126	-	-	-	(1,166)	(1,166)	-
EDTA	373	195	-	-	-	(178)	(178)	-
Total business-type activities	<u>4,517</u>	<u>3,149</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,368)</u>	<u>(1,368)</u>	<u>-</u>
Total primary government	<u>\$ 277,930</u>	<u>\$ 7,569</u>	<u>\$ 127,323</u>	<u>\$ 86</u>	<u>(141,584)</u>	<u>(1,368)</u>	<u>(142,952)</u>	<u>-</u>
Component Units	<u>\$ 474,256</u>	<u>\$ 528,742</u>	<u>\$ 12,023</u>	<u>\$ -</u>				<u>\$ 66,509</u>
General Revenues:								
Motor fuel tax					7,088	-	7,088	-
Motor vehicle tax					8,161	-	8,161	-
Tobacco tax					6,254	-	6,254	-
Sales tax					1,208	-	1,208	-
Grants and contributions not restricted to specific programs					100,355	-	100,355	-
Unrestricted investment earnings					5,439	72	5,511	6,051
Dividends from component units					35,001	-	35,001	-
Miscellaneous revenue					2,222	-	2,222	(3,450)
Gain/(loss) on investments in joint venture					-	-	-	760
Gain/(loss) on disposals					-	1,044	1,044	572
Transfers					(1,561)	1,561	-	-
Total general revenues and transfers					<u>164,167</u>	<u>2,677</u>	<u>166,844</u>	<u>3,933</u>
Change in net assets					22,583	1,309	23,892	70,442
Net assets, beginning					163,432	1,234	164,666	408,088
Net assets, ending					<u>\$ 186,015</u>	<u>\$ 2,543</u>	<u>\$ 188,558</u>	<u>\$ 478,530</u>

See notes to basic financial statements

# FUND FINANCIAL STATEMENTS

**CHEROKEE NATION**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

SEPTEMBER 30, 2008

(Dollars in Thousands)

	General	Self Governance DOI Roads	Self Governance DHHS	Housing & Urban Development	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 64,036	\$ 34,965	\$ 22,457	\$ 16,981	\$ 36,140	\$ 174,579
Investments	-	-	-	18,807	4,795	23,602
Receivables, net	5,406	-	663	60	6,409	12,538
Due from other funds	22,731	-	-	-	1,183	23,914
Due from component units	192	-	-	64	-	256
Inventories	-	-	-	892	598	1,490
Notes receivable	-	-	-	-	111	111
Other current assets	1	-	2,360	-	448	2,809
Restricted cash, cash equivalents and investments	24,446	-	-	-	4,573	29,019
<b>Total assets</b>	<b>\$ 116,812</b>	<b>\$ 34,965</b>	<b>\$ 25,480</b>	<b>\$ 36,804</b>	<b>\$ 54,257</b>	<b>\$ 268,318</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable and accrued liabilities	\$ 12,763	\$ -	\$ 3,981	\$ -	\$ 40	\$ 16,784
Due to other funds	19,130	3,482	4,709	1,939	8,755	38,015
Other current liabilities	15	-	-	-	950	965
Deferred grant revenue	-	31,483	2,776	34,503	25,356	94,118
Unearned revenue	11	-	-	-	636	647
<b>Total liabilities</b>	<b>31,919</b>	<b>34,965</b>	<b>11,466</b>	<b>36,442</b>	<b>35,737</b>	<b>150,529</b>
<b>FUND BALANCES:</b>						
Fund balance:						
Reserved by Legislative Act (Note 12):						
Motor fuel tax	30,782	-	-	-	-	30,782
Cash reserve	1,256	-	-	-	-	1,256
Tobacco retailers loan fund	1,000	-	-	-	-	1,000
Arkansas Riverbed settlement	7,950	-	-	-	-	7,950
SHS Multipurpose Center	16	-	-	-	-	16
Tribal judgements and trusts	-	-	-	-	4,386	4,386
Reserved by external sources and enabling legislation:						
Grant programs	-	-	14,014	362	5,534	19,910
Motor vehicle tax	6,018	-	-	-	-	6,018
Tobacco surtax	3,219	-	-	-	-	3,219
Permanent funds	-	-	-	-	568	568
Judgment funds	-	-	-	-	5,268	5,268
Capital Projects Fund	-	-	-	-	1,024	1,024
Reserved for debt service	-	-	-	-	1,740	1,740
Unreserved, undesignated reported in (Note 12):						
General Fund	34,652	-	-	-	-	34,652
<b>Total fund balances</b>	<b>84,893</b>	<b>-</b>	<b>14,014</b>	<b>362</b>	<b>18,520</b>	<b>117,789</b>
<b>Total liabilities and fund balances</b>	<b>\$ 116,812</b>	<b>\$ 34,965</b>	<b>\$ 25,480</b>	<b>\$ 36,804</b>	<b>\$ 54,257</b>	

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 81,270

Assets recorded in government-wide financial statements that are not available to pay for current period expenditures, therefore, are not recorded in the funds. 7,366

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 11,113

Liabilities that are not due and payable in the current period and therefore not reported in the funds (31,523)

Net assets of governmental activities \$ 186,015

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, 2008  
(Dollars in Thousands)**

	<u>General</u>	<u>Self Governance DOI Roads</u>	<u>Self Governance DHHS</u>	<u>Housing &amp; Urban Development</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>						
Intergovernmental	\$ -	\$ 18,715	\$ 71,069	\$ 31,232	\$ 82,554	\$ 203,570
Property rentals	1,750	-	-	-	-	1,750
Motor fuel tax revenues	7,088	-	-	-	-	7,088
Tax and license revenues	18,292	-	-	-	-	18,292
Interest	2,706	1,248	644	1,068	1,523	7,189
Trust fund income	190	-	-	-	-	190
Dividends from component units	35,001	-	-	-	-	35,001
Health 3rd party revenues	286	-	16,785	-	370	17,441
Other	2,420	1	99	533	3,953	7,006
Total revenues	<u>67,733</u>	<u>19,964</u>	<u>88,597</u>	<u>32,833</u>	<u>88,400</u>	<u>297,527</u>
<b>Expenditures:</b>						
Current operating:						
Tribal Government	20,926	-	357	946	2,450	24,679
Health Services	8,432	-	70,810	-	23,767	103,009
Education Services	10,304	-	-	532	29,725	40,561
Human Services	3,565	-	-	5,120	28,605	37,290
Community Services	10,342	18,694	3,909	24,128	748	57,821
Other tribal services	8,753	-	43	1,409	4,435	14,640
Debt services:						
Principal	325	-	137	-	1,540	2,002
Interest	14	-	52	-	842	908
Capital outlay	5,154	22	2,425	229	7,606	15,436
Total expenditures	<u>67,815</u>	<u>18,716</u>	<u>77,733</u>	<u>32,364</u>	<u>99,718</u>	<u>296,346</u>
Excess (deficiency) of revenues over expenditures	<u>(82)</u>	<u>1,248</u>	<u>10,864</u>	<u>469</u>	<u>(11,318)</u>	<u>1,181</u>
<b>Other financing sources (uses):</b>						
Issuance of long-term debt	-	-	1,448	-	-	1,448
Insurance recoveries	116	-	-	128	-	244
Transfers in	11,538	-	-	4	4,007	15,549
Transfers out	(7,760)	(1,248)	(3,487)	(239)	(9,998)	(22,732)
Total other financing sources (uses)	<u>3,894</u>	<u>(1,248)</u>	<u>(2,039)</u>	<u>(107)</u>	<u>(5,991)</u>	<u>(5,491)</u>
Net change in fund balances	3,812	-	8,825	362	(17,309)	(4,310)
Fund balance, October 1, 2007	81,081	-	5,189	-	35,829	122,099
Fund balance, September 30, 2008	<u>\$ 84,893</u>	<u>\$ -</u>	<u>\$ 14,014</u>	<u>\$ 362</u>	<u>\$ 18,520</u>	<u>\$ 117,789</u>

See notes to basic financial statements



# CHEROKEE NATION

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED SEPTEMBER 30, 2008 (Dollars in Thousands)

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

Net change in fund balances - total governmental funds \$ (4,310)

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. 12,050

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. 482

Some expenses are reported in the Statement of Activities when incurred and presented in the governmental funds when paid. 5,261

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. 9,100

Change in net assets of governmental activities \$ 22,583

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, 2008  
 (Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget over/(under)
	Original	Final		
Revenues:				
Property rentals	\$ 478	\$ 480	\$ 1,750	\$ 1,270
Motor fuel tax	7,138	7,138	7,088	(50)
Taxes, licenses, and fees	17,051	15,662	18,292	2,630
Interest	1,997	1,998	2,706	708
Trust fund income	104	104	190	86
Proceeds of long term debt	-	209	-	(209)
Dividends from component units	36,000	36,000	35,001	(999)
Health 3rd party revenues	203	203	286	83
Other	1,159	5,183	2,420	(2,763)
Total revenues	<u>64,130</u>	<u>66,977</u>	<u>67,733</u>	<u>756</u>
Expenditures:				
Tribal government	29,118	38,081	20,926	(17,155)
Health services	7,198	11,598	8,432	(3,166)
Education services	15,785	16,880	10,304	(6,576)
Human services	3,797	4,167	3,565	(602)
Community services	10,010	15,857	10,342	(5,515)
Other tribal services	16,633	18,492	8,753	(9,739)
Debt service	88	339	339	-
Capital outlay	15,198	17,955	5,154	(12,801)
Total expenditures	<u>97,827</u>	<u>123,369</u>	<u>67,815</u>	<u>(55,554)</u>
Excess (deficiency) of revenues over expenditures	<u>(33,697)</u>	<u>(56,392)</u>	<u>(82)</u>	<u>56,310</u>
Other financing sources (uses):				
Insurance recoveries	-	-	116	116
Transfers in	13,989	25,812	11,538	(14,274)
Transfers out	(17,401)	(22,494)	(7,760)	14,734
Total other financing sources (uses)	<u>(3,412)</u>	<u>3,318</u>	<u>3,894</u>	<u>576</u>
Excess (deficiency) of revenues and other financing sources over expenditures	<u>(37,109)</u>	<u>(53,074)</u>	<u>3,812</u>	<u>56,886</u>
Fund balance, October 1, 2007	81,081	81,081	81,081	-
Fund balance, September 30, 2008	<u>\$ 43,972</u>	<u>\$ 28,007</u>	<u>\$ 84,893</u>	<u>\$ 56,886</u>

See notes to basic financial statements

**CHEROKEE NATION**

**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS**

SEPTEMBER 30, 2008

(Dollars in Thousands)

	Business-type Activities- Enterprise Funds			Governmental Activities- Internal Service Funds
	Title VI Loan Fund	Nonmajor Enterprise Funds	Totals	
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 122	\$ 1,869	\$ 1,991	\$ 43
Accounts receivable, net	-	1	1	284
Due from other funds	-	544	544	17,403
Due from component units	21	-	21	-
Inventories	-	-	-	157
Notes receivable, current	2,009	109	2,118	-
Other current assets	-	2	2	213
Total current assets	2,152	2,525	4,677	18,100
Noncurrent assets:				
Restricted cash and cash equivalents	-	2,631	2,631	1,053
Long-term notes receivable	22,485	1,773	24,258	-
Capital assets, net	-	599	599	13,546
Total noncurrent assets	22,485	5,003	27,488	14,599
Total assets	24,637	7,528	32,165	32,699
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and accrued liabilities	87	85	172	6,525
Current portion of long-term debt	1,854	124	1,978	513
Current portion of capital leases	-	-	-	230
Due to other funds	50	767	817	3,029
Compensated absences	-	-	-	4,673
Other current liabilities	-	21	21	4,347
Total current liabilities	1,991	997	2,988	19,317
Noncurrent liabilities:				
Long-term debt	22,640	1,785	24,425	2,051
Capital leases payable	-	-	-	281
Other liabilities	-	2,146	2,146	-
Total noncurrent liabilities	22,640	3,931	26,571	2,332
Total liabilities	24,631	4,928	29,559	21,649
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	-	204	204	10,471
Restricted	-	310	310	-
Unrestricted net assets/(deficit)	6	2,086	2,092	579
Total net assets/(deficit)	\$ 6	\$ 2,600	2,606	\$ 11,050
Adjustment to reflect the consolidation of Internal Service Funds activities related to Enterprise Funds			(63)	
Net assets of business-type activities			\$ 2,543	

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, 2008  
(Dollars in Thousands)**

	Business-type Activities- Enterprise Funds			Governmental Activities- Internal Service Funds
	Title VI Loan Fund	Nonmajor Enterprise Funds	Totals	
Operating revenues:				
Property rentals	\$ -	\$ 518	\$ 518	\$ 3
Charges for services and goods	-	1,126	1,126	73,956
Other	-	29	29	210
Total operating revenues	-	1,673	1,673	74,169
Operating expenses:				
Cost of sales	-	-	-	5
Salaries and wages	-	517	517	56,511
Other services and charges	155	2,272	2,427	11,630
Materials and supplies	-	51	51	1,665
Depreciation and amortization	-	162	162	910
Total operating expenses	155	3,002	3,157	70,721
Operating income (loss)	(155)	(1,329)	(1,484)	3,448
Nonoperating revenues (expenses):				
Interest income	1,303	245	1,548	30
Interest expense	(1,303)	(73)	(1,376)	(158)
Gain/(loss) on sale of capital assets	-	1,044	1,044	-
Net nonoperating revenues (expenses)	-	1,216	1,216	(128)
Income (loss) before transfers	(155)	(113)	(268)	3,320
Capital contribution	-	-	-	134
Transfers in	161	1,400	1,561	5,823
Transfers out	-	-	-	(161)
Change in net assets	6	1,287	1,293	9,116
Total net assets - beginning	-	1,313	-	1,934
Total net assets - ending	\$ 6	\$ 2,600	-	\$ 11,050
Adjustment to reflect the consolidation of Internal Service Funds activities related to Enterprise Funds			16	
Change in net assets of business-type activities			\$ 1,309	

See notes to basic financial statements

**CHEROKEE NATION**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008  
(Dollars in Thousands)**

	Business-type Activities- Enterprise Funds			Governmental Activities- Internal Service Funds
	Title VI Loan Fund	Nonmajor Enterprise Funds	Total	
Cash flows from operating activities:				
Receipts from customers	\$ -	\$ 1,644	\$ 1,644	\$ 73,875
Internal activity - payments from other funds	-	20	20	(13,720)
Payments to suppliers	(196)	(2,382)	(2,578)	(10,196)
Payments to employees	-	(517)	(517)	(55,987)
Internal activity - payments to other funds	50	303	353	1,655
Internal activity - payments from other Component Units	(21)	-	(21)	64
Other receipts	-	29	29	210
Net cash provided/(used) by operating activities	<u>(167)</u>	<u>(903)</u>	<u>(1,070)</u>	<u>(4,099)</u>
Cash flows from noncapital financing activities:				
Transfer from other funds	-	1,400	1,400	5,823
Transfer to other funds	-	-	-	(161)
Principal payment on notes payable	(1,854)	(68)	(1,922)	-
Interest payment on notes payable	(1,303)	(16)	(1,319)	-
Net cash provided by noncapital financing activities	<u>(3,157)</u>	<u>1,316</u>	<u>(1,841)</u>	<u>5,662</u>
Cash flows from capital and related financing activities:				
Purchases of capital assets	-	(75)	(75)	(2,659)
Principal paid on capital debt	-	(1,443)	(1,443)	(208)
Interest paid on capital debt	-	(57)	(57)	(158)
Proceeds from sales of capital assets	-	1,258	1,258	-
Net cash (used) by capital and related financing activities	<u>-</u>	<u>(317)</u>	<u>(317)</u>	<u>(3,025)</u>
Cash flows from investing activities:				
Interest and dividends	1,303	245	1,548	30
Payment received on notes receivable	1,854	-	1,854	-
Decrease(increase) on notes receivable, net	-	(73)	(73)	-
Net cash provided by investing activities	<u>3,157</u>	<u>172</u>	<u>3,329</u>	<u>30</u>
Net increase (decrease) in cash and cash equivalents	(167)	268	101	(1,432)
Cash and cash equivalents, October 1, 2007	<u>\$289</u>	<u>4,232</u>	<u>4,521</u>	<u>2,528</u>
Cash and cash equivalents, September 30, 2008	<u>\$ 122</u>	<u>\$ 4,500</u>	<u>\$ 4,622</u>	<u>\$ 1,096</u>
Cash and Cash Equivalents consist of:				
Unrestricted cash and cash equivalents	\$ 122	\$ 1,869	\$ 1,991	\$ 43
Restricted cash and cash equivalents	-	2,631	2,631	1,053
Total Cash and Cash Equivalents, September 30, 2008	<u>\$ 122</u>	<u>\$ 4,500</u>	<u>\$ 4,622</u>	<u>\$ 1,096</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (155)	\$ (1,329)	\$ (1,484)	\$ 3,448
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	-	162	162	910
Change in assets and liabilities:				
Receivables, net	(21)	20	(1)	(13,740)
Inventories	-	-	-	(8)
Other current assets	-	-	-	349
Accounts and other payables	9	244	253	4,942
Net cash provided by (used for) operating activities	<u>\$ (167)</u>	<u>\$ (903)</u>	<u>\$ (1,070)</u>	<u>\$ (4,099)</u>
Noncash investing, capital, and financing activities:				
Contributions of capital assets from government	-	-	-	134

See notes to basic financial statements

# CHEROKEE NATION

## COMBINING STATEMENT OF NET ASSETS - COMPONENT UNITS

SEPTEMBER 30, 2008

(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)	Total
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 69,688	\$ 12,343	\$ 138	\$ 131	\$ 82,300
Restricted cash	19,926	-	-	-	19,926
Investments	27,196	17,607	-	-	44,803
Receivables, net	15,589	199	111	314	16,213
Interest receivable	-	456	-	-	456
Mortgages receivable-Title VI	-	556	-	-	556
Inventories	12,637	-	-	-	12,637
Notes receivable	9	-	-	-	9
Other current assets	4,944	313	-	21	5,278
Total current assets	149,989	31,474	249	466	182,178
Restricted investments	-	10,515	-	-	10,515
Notes receivable	1,384	191	-	-	1,575
Mortgages receivable-Title VI and partnerships	-	24,301	-	-	24,301
Deferred loan issuance costs	1,334	-	-	-	1,334
Other assets	196	1,308	-	-	1,504
Investment in partnerships/joint ventures	3,011	1,379	589	-	4,979
Capital assets, net	303,157	74,229	1,762	615	379,763
Total noncurrent assets	309,082	111,923	2,351	615	423,971
Total assets	459,071	143,397	2,600	1,081	606,149
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable and accrued liabilities	89,002	55	134	451	89,642
Due to primary government	-	277	-	-	277
Deferred revenue	-	93	-	-	93
Current portion of notes payable	-	1,878	-	-	1,878
Current portion of long-term debt	226	-	28	357	611
Total current liabilities	89,228	2,303	162	808	92,501
Trust Liabilities	-	9,286	-	-	9,286
Notes Payable	-	24,161	-	-	24,161
Long-term debt	219	-	1,410	42	1,671
Total liabilities	89,447	35,750	1,572	850	127,619
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	271,300	74,095	323	216	345,934
Restricted for:					
Debt service	-	2,555	-	-	2,555
Construction	17,866	-	-	-	17,866
Program services	-	29,617	-	-	29,617
Unrestricted net assets	80,458	1,380	705	15	82,558
Total net assets (deficit)	\$ 369,624	\$ 107,647	\$ 1,028	\$ 231	\$ 478,530

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, 2008  
 (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)	Total
Operating revenues:					
Charges for services and goods	\$ 521,085	\$ 2,839	\$ 38	\$ 4,437	\$ 528,399
Gain on investments in joint ventures	388	-	372	-	760
Other	-	260	2	81	343
Total operating revenues	521,473	3,099	412	4,518	529,502
Operating expenses:					
Cost of sales/operations	130,823	5,403	-	-	136,226
Salaries and wages	165,898	2,507	911	3,114	172,430
Housing assistance	-	6,443	-	-	6,443
Other services and charges	93,647	412	347	1,434	95,840
Depreciation and amortization	21,736	4,432	40	56	26,264
Total operating expenses	412,104	19,197	1,298	4,604	437,203
Operating income (loss)	109,369	(16,098)	(886)	(86)	92,299
Nonoperating revenues (expenses)					
Grant revenue	-	11,060	202	-	11,262
Funding provided by primary government	-	-	761	-	761
Interest/investment income	3,785	2,262	3	1	6,051
Interest expense	(534)	(1,361)	(31)	(40)	(1,966)
Gain on disposal of assets	-	572	-	-	572
Other, net	(3,456)	-	-	6	(3,450)
Net nonoperating revenues (expenses)	(205)	12,533	935	(33)	13,230
Net Income (loss)	109,164	(3,565)	49	(119)	105,529
Dividends to primary government	(35,001)	-	-	-	(35,001)
Capital grants to primary government	(86)	-	-	-	(86)
Change in net assets	74,077	(3,565)	49	(119)	70,442
Net assets, beginning of year	295,547	111,212	979	350	408,088
Net assets, end of year	\$ 369,624	\$ 107,647	\$ 1,028	\$ 231	\$ 478,530

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, 2008  
(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	\$ 528,399	\$ -	\$ 528,399	\$ -	\$ -	\$ -
Gain on investments in joint ventures	760	-	-	-	-	760
Other	343	-	343	-	-	-
Total operating revenues	529,502	-	528,742	-	-	760
Operating expenses:						
Cost of sales/operations	136,226	136,226	-	-	-	-
Salaries and wages	172,430	172,430	-	-	-	-
Housing assistance	6,443	6,443	-	-	-	-
Other services and charges	95,840	95,840	-	-	-	-
Depreciation and amortization	26,264	26,264	-	-	-	-
Total operating expenses	437,203	437,203	-	-	-	-
Operating income (loss)	92,299	(437,203)	528,742	-	-	760
Nonoperating revenues (expenses)						
Grant revenue	11,262	-	-	11,262	-	-
Funding provided by primary government	761	-	-	761	-	-
Interest/investment income	6,051	-	-	-	-	6,051
Interest expense	(1,966)	(1,966)	-	-	-	-
Gain on disposal of assets	572	-	-	-	-	572
Other, net	(3,450)	-	-	-	-	(3,450)
Net nonoperating revenues (expenses)	13,230	(1,966)	-	12,023	-	3,173
Net Income (loss)	105,529	(439,169)	528,742	12,023	-	3,933
Dividends to primary government	(35,001)	(35,001)	-	-	-	-
Capital grants to primary government	(86)	(86)	-	-	-	-
Change in net assets	70,442	(474,256)	528,742	12,023	-	3,933
Net assets, beginning of year	408,088	-	-	-	-	408,088
Net assets, end of year	\$ 478,530	\$ (474,256)	\$ 528,742	\$ 12,023	\$ -	\$ 412,021

See notes to basic financial statements



# NOTES TO BASIC FINANCIAL STATEMENTS

**CHEROKEE NATION  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2008**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Reporting Entity** — The Nation is a tribal organization with Executive, Legislative, and Judicial Branches. The basic financial statements of the Nation present the reporting entity, which consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the Nation's basic financial statements to be misleading or incomplete. Accordingly, the accompanying basic financial statements reflect the financial position and the operations of the Cherokee Nation received, disbursed, or in the custody of the Nation or the Bureau of Indian Affairs ("BIA") and the United States Treasury, as its trustee, as well as all other funds and activities over which the Nation exercises financial accountability. The Nation's basic financial statements do not include the financial position or activities of various federal and state governmental agencies operating within tribal lands. The Nation determines its financial reporting entity in accordance with Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity," as amended by GASB No. 39, and based on that criterion, has included the following entities as component units within the Nation's basic financial statements:

**Discretely Presented Component Units** — The component units' column in the government-wide financial statements includes the financial data of the Nation's discretely presented component units. These discretely presented component units are reported in a separate column to emphasize that they are legally separate from the primary government. Part of the determination for presenting them as discretely presented component units is that they do not have substantially the same governing body as the primary government nor do they provide services entirely or almost entirely to the primary government or for the benefit of the primary government. The following component units are included in the reporting entity because the primary government is financially accountable for and is able to impose its will on these organizations.

**Cherokee Nation Business, LLC ("CNB")** — CNB, a tribal limited liability company, was created June 16, 2004, to provide shared services and strategic coordination to the Nation's business entities, to diversify the Nation's business holdings and act as a holding corporation for certain Nation investments in business enterprises. The Nation created CNB and is able to exert significant influence over CNB's activities as a result of its

relationship to CNB and board member appointments. As of September 30, 2008, CNB held an interest in the following entities:

***Cherokee Nation Enterprises, LLC (“CNE”)*** — CNE is a tribal limited liability company organized under the laws of the Cherokee Nation (the “Nation”). The Nation conducts all of its gaming and entertainment activities through CNE. Prior to July 14, 2006, CNE was a wholly owned tribal corporation of the Nation. On that date, CNE was converted from a corporation to a tribal limited liability company, and ownership was transferred from the Nation to CNB. For reporting purposes, CNE is included as a blended component unit of CNB which is a discrete component unit of the Nation. CNE operates six casinos, a horse racing facility with electronic gaming machines, two retail smoke shop facilities that include electronic gaming machines and other retail facilities including an additional smoke shop, a travel plaza, convenience stores and gift shops. CNE’s gaming and entertainment operations include food and beverage venues, hotels and motels, live entertainment venues and an 18-hole and a 9-hole golf course. CNE is managed through a board of directors appointed by the Principal Chief of the Nation and approved by the Cherokee Nation Tribal Council. Separately issued financial statements for CNE may be obtained from CNB’s corporate office. CNE has two of its own blended component units as follows:

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

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

***Cherokee Nation Industries, LLC (“CNI”)*** — CNI is a tribal limited liability company established in 1969 to meet the need for business development and to generate revenue which helps the Nation and its members move toward economic self-sufficiency. Prior to 2008, CNI was owned directly by the Nation. In 2008, ownership of CNI was transferred to CNB and is now presented as a blended component unit of CNB. CNI engages primarily in the production, assembly, and repair of electronic component parts and wiring systems, construction, and the provisions of certain contract medical services and janitorial services for the U.S. Government.

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

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

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

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

***Cherokee Nation Waste Management, LLC (“CNWM”) —*** CNWM is a tribal limited liability company organized in 2008 for the purpose of operating the Cherokee Nation Sanitary Landfill in Stilwell, Oklahoma, through an operating agreement with the Cherokee Nation. CNWM is currently constructing a new waste cell and expects to open for operations in 2009. CNB is the sole member of CNWM, which is included as a blended component unit of CNB. CNWM assumed many of the contractual obligations of the Nation relating to the landfill operation as of July 1, 2008, and is incurring various costs to meet these obligations.

***Cherokee Services Group, LLC (“CSG”) —*** CSG is a tribal limited liability company organized under the laws of the Nation in 2006 for the purpose of marketing certain professional services to commercial enterprises, other tribes and state and federal governments. CSG has received 8(a) certification from the US Small Business Administration. CNB is the sole member of CSG which is included as a blended component unit of CNB.

***Cherokee Technologies, LLC (“CT”) —*** CT is a tribal limited liability company organized, on June 16, 2004, under the laws of the Nation created to facilitate CNB's ownership in certain joint ventures. CNB is the sole member owning 100% of the units of CT, which is included in CNB's financial statements as a blended component unit. As of September 30, 2008, CT was inactive.

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

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

***Aerospace S.E., Inc. (“APSE”) —*** APSE was formed in 1987 in Huntsville, Alabama. On August 28, 2008, CNB acquired 75% of the stock of APSE, and APSE Holdings, LLC acquired 25%. APSE is a distributor of aerospace fasteners and a provider of supply

chain services. APSE is headquartered in Huntsville and has offices in San Antonio and Wichita. CNB accounts for the investment in APSE using the equity method.

**Housing Authority of the Cherokee Nation of Oklahoma** — The Housing Authority of the Cherokee Nation of Oklahoma (“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. Effective October 1, 1997, the Native American Housing Assistance and Self-Determination Act (“NAHASDA”) was implemented. The purpose of NAHASDA is to provide Federal assistance for Indian tribes in a manner that recognizes the right of Indian self-determination and tribal self governance. This is implemented through the use of an annual Indian Housing Plan submitted to the Department of Housing and Urban Development (“HUD”) for approval. Pursuant to Tribal Council legislation, the Nation was designated the responsible party for the federally funded NAHASDA program in 2000. Subsequent to that action various components of the IHP are passed through the Nation to HACN under a Memorandum of Agreement (“MOA”) for implementation and day-to-day management. 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 forgoing criteria and in compliance with the provisions of GASB No. 14 *The Financial Reporting Entity*, as amended by GASB No. 39, HACN is included in the Nation’s financial report as a discrete component unit.

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

**Cherokee Affordable Housing, Inc. (“CAH”)** — CAH is a non-profit 501(c)3 corporation organized under the laws of the State of Oklahoma created primarily to serve as the eligible 501(c)3 entity required to fill the position of general partner in the low income housing tax credit partnerships and related projects that have been developed by HACN and a third party developer. CAH’s financial activity is limited only to its role in the tax credit partnerships. The board of directors for CAH consists of the same board members of HACN. The president for CAH is the executive director of HACN. Based on the foregoing criteria and in compliance with the provisions of GASB No. 14 *The Financial Reporting Entity*, as amended by GASB No. 39, CAH is included as a blended component unit in the HACN’s financial statements.

**Cherokee Nation Comprehensive Care Agency (“CNCCA”)** — CNCCA, a tribal governmental agency, was created to facilitate various Nation health care initiatives

including the facilitation of joint ventures and other business related health activities. CNCCA currently has two initiatives, which includes the Program of All-Inclusive Care for the Elderly (“PACE”) and a joint venture, Cherokee Health Partners, LLC (“CHP”).

***Program of All-Inclusive Care for the Elderly (“PACE”)*** — PACE features a comprehensive medical and social service delivery system using an interdisciplinary team approach in an adult day care center that is supplemented by in-home and referral services in accordance with participants’ needs. The PACE program is financed by Medicare, Medicaid, federal grants and through contributions of the Nation.

***Cherokee Health Partners, LLC (“CHP”)*** — CNCCA and the Tahlequah City Hospital entered into a joint venture on September 28, 2004, to create CHP which is 51% owned by CNCCA. CHP is an imaging center located in the Tahlequah City Hospital. The initial services to be provided are nuclear scans of the bones, heart, and lungs. CNCCA has recognized its proportionate share of CHP’s earnings and distributions resulting in a carrying value of approximately \$589,000 for the joint venture at September 30, 2008.

***Cherokee Nation Home Health Services, Inc. (“CNHHS”)*** — CNHHS, a tribal corporation, was organized for the purpose of engaging in home healthcare services. The CNHHS is a discretely presented component unit of the Nation and 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 providing home health, hospice and other services to residents of Cherokee and Delaware County, Oklahoma, and the surrounding area.

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 and CNHHS 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”), 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 isn’t the same as the Tribal Council. The Nation has the ability to appoint, hire, reassign or dismiss the individuals responsible for management of the programs. EDTA almost exclusively benefits the Nation as its largest activity is the operation of an employee loan program for employees of the Nation. EDTA is presented as a proprietary fund in the accompanying financial statements.

**Excluded Organizations** — During 2008, the following not for profit organizations did not meet the criteria for inclusion in the reporting entity as they are not individually material to the operations of the Nation, and accordingly their financial operations are excluded from this report.

Cherokee Nation Education Foundation

Cherokee National Historical Society

Beginning in fiscal year 2006, the Nation, CNE and the Cherokee National Historical Society entered into an operations management Memorandum of Agreement (“MOA”). This MOA is renewable on an annual basis upon agreement by the CNHS Board and the Nation. This event is discussed more fully in Note 16.

Cherokee Nation law requires that all corporations, majority owned by the Nation, and incorporated under Cherokee Nation law pay a dividend based on net income. The dividend rate was 30% for FY2008. Dividends paid to the Nation and other related party transactions are discussed in Note 16.

## BASIS OF PRESENTATION

**Government-Wide Financial Statements** — The government-wide financial statements provide operational accountability information for the Nation as an economic unit. The government-wide financial statements report the government's ability to maintain service levels and continue to meet its obligations as they come due. The statements include all governmental activities and all business-type activities of the primary government and its component units. Fiduciary funds and fiduciary-type component units are omitted from the government-wide financial statements.

**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, and transfers. The General Fund is always a major governmental fund. Other major funds are determined as funds whose revenues, expenditures/expenses, assets or liabilities are at least ten percent of the totals for all governmental or enterprise funds and at least five percent of the aggregate amount for all governmental and enterprise funds for the same item or funds designated as major at the discretion of the Nation. Funds not classified as a major fund are aggregated and presented in a single column in the fund financial statements. The Nation uses the following funds, grouped by fund type.

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

- **General Fund** — The General Fund represents the operating activities of the tribal government. All unrestricted resources not accounted for in other funds are reported in the General Fund.
- **Special Revenue Funds** — Special revenue funds are used to account for the proceeds of government grants or other specific revenue sources that are restricted by law or administrative action to finance particular functions or activities of the Nation. The following are the Nation's major special revenue funds:
  - **Self Governance-DOI-Roads** — Established to account for funds received from the Department of Interior ("DOI") to expand the Nation's transportation activities such as planning, designing, constructing, and maintaining transportation facilities. Roads constructed with DOI funds are not capitalized by the Nation as they are transferred to other governmental agencies upon completion. These expenditures are generally presented as community service expenditures in the accompanying financial statements.
  - **Self Governance-DHHS** — Established to account for funds received under the Nation's Self Governance compact with the United States Department of Health and Human Services ("DHHS"). These funds are used to administer a number of programs under Indian Health Services ("IHS") relating to health and human services. These expenditures are generally presented as health and community services expenditures in the accompanying financial statements.



- **Housing and Urban Development** — Established to account for grant funds received from the Department of Housing and Urban Development (“HUD”) to improve living conditions and renovate homes of Indian residents. During fiscal year 2008, the majority of the services previously performed by the HACN, a discretely presented proprietary component unit of the Nation, were assumed by the Nation. These expenditures are generally presented as community service expenditures in the accompanying financial statements.
- **Permanent Funds** — Permanent funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes supporting the Nation's programs. The Nation's Permanent Funds contain two endowments, both of which allow the expenditure of income for tuition and educational purposes, with the principal being unavailable for disbursement. The trust agreements state the distributions of income shall go to individuals one-quarter or more of Cherokee blood quantum. All fund balances from the endowments are reserved.
  - **Sequoyah Endowment** — The Sequoyah Endowment was established in fiscal year 1991 by the Louise K. Green-Matthews Grant in Environmental Science in the amount of \$134,000. It was established to foster and encourage Cherokee students of at least one-quarter blood quantum to engage in obtaining a graduate education in Environmental Science or Natural Sciences. The income from the trust is available to provide one to two grants annually. The amount of net appreciation on the investment of the Sequoyah Endowment is \$73,000 which is the available amount reflected in the fund balance.
  - **Gammon Education Trust** — The Glenn and Faye Gammon Education Trust was established in fiscal year 2001 by a willed contribution of \$291,000 to provide Cherokee higher education scholarships. In accordance with the will, income from the trust is used to provide tuition and related educational, travel and living expenses for Cherokee students with a blood quantum of one-quarter or more. The amount of net appreciation on the investment of the Gammon Education Trust is \$70,000 which is the available amount reflected in the fund balance.
- **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.
- **Capital Projects Funds** — Capital project funds are used to report resources that are used to report major capital acquisition and construction separately from ongoing operational activities.

Governmental fund financial statements include a balance sheet and a statement of revenues, expenditures and changes in fund balances for all major governmental funds and

nonmajor funds aggregated. A reconciliation is presented to summarize the differences in fund balances of the governmental fund financial statements and the net assets of the governmental activities in the government-wide financial statements. These differences are further explained in Note 2 to the basic financial statements.

**Proprietary Funds** — Proprietary funds are used to account for the Nation’s ongoing organizations and activities which are similar to those often found in the private sector where the intent is that costs of providing goods and services be recovered through user charges. The proprietary funds maintained by the Nation are internal service funds, enterprise funds, and discretely presented component units, which represent the activities of the various entities established by the Nation for income and job producing purposes.

- **Internal Service Funds** — Internal service funds are used to report activities which provide goods or services to other funds, departments, or agencies of the primary government and its component units, or to other governments, on a cost-reimbursement basis. The Nation includes services such as internal leases, force accounts, fringe pool, and indirect cost pool in these funds. Substantially all internal service funds’ net assets and activities are combined with the governmental activities in the government-wide financial statements. Note disclosures for governmental activities also include related amounts for the internal service funds.
- **Enterprise Funds** — The enterprise funds are proprietary funds that are used to report activities for which a fee is charged to external users. The Nation accounts for its Title VI Loan Fund, Tsa-La-Gi Apartments, Landfill Operations, Economic Development Trust Authority (“EDTA”) and Other enterprise activities in these funds. The Nation’s only major enterprise fund is as follows:
  - **Title VI Loan Fund** — Established to account for borrowing and lending activities related to the United States Department of Housing and Urban Development Title VI loan agreement, the proceeds of which are obtained from federal government guaranteed bank financing and subsequently loaned to the Cherokee Nation Housing Authority, a component unit of the Nation.
- **Component Units** — See pages 39 - 43 for descriptions of discretely presented component units.

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

## MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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

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

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

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

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

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

## Inventories

- Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.
- The Nation, through its participation in the Clinics Program, maintains an inventory of pharmaceutical drugs received from the DHHS. Title to these inventories does not pass to the Nation, which acts only as a distribution agent for the federal government. The value of drugs on hand related to this program has not been included in the Nation's financial statements.
- The Nation maintains an inventory of the food received for disbursement from Cherokee Nation's Food Distribution program. Food acquisitions are initially recorded as inventory and as deferred revenue and are charged to expenditures as used, using the First In, First Out ("FIFO") method. Food inventories are valued at the cost assigned to such food items by the granting agency.
- The Nation maintains an inventory of housing materials to be used in the construction of the Homeownership Build Packages. This is a self-help program where clients will provide 60% 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 first-in, first-out method. Cost of supplies is determined by the average cost method with retail inventories stated at first-in, first-out.
- HACN, as a result of the operation of the Title VI Loan program primarily, 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. These homes are presented as inventory by HACN.

**Capital Assets** — The Nation's accounting policies regarding capital assets such as land, buildings, vehicles, and equipment are that these assets, with an initial cost of \$5,000, or more are to be capitalized and depreciated over their estimated useful lives. Purchased or constructed capital assets are valued at historical cost or estimated historical cost. Donated capital assets are recorded at fair value at the date of the donation. Title to certain property and buildings utilized by the Nation, such as Sequoyah High School, the Child Care Development Center, and other land is held by the federal government. Therefore, such assets are not reflected as capital assets in the accompanying financial statements. The Nation has chosen the straight-line depreciation method for its capital assets based on the estimated useful lives of the capital assets as follows:

<u>Class of Asset</u>	<u>Estimated Useful Life</u>
Buildings and improvements	20-50 years
Equipment	3-20 years
Land Improvements	30 years

The Cherokee Nation has the ability to request that land owned by the Nation and its component units be placed into trust status with the United States of America in Trust for the Cherokee Nation ("trust status"). If land is accepted into trust status, the Nation and its component units have the

ability to continue using the property. Activities such as the Nation's gaming activities can only be conducted on land held in trust status. When land goes 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, 2008, 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 property will be written off by the Nation when, and if, the property is accepted into trust status.

The Nation accounts for the impairment of capital assets using the guidance provided in GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries". GASB Statement No. 42 provides a two-step process of identifying potential impairments and testing for impairment. Asset impairment, as defined by GASB Statement No. 42, is a significant, unexpected decline in the service utility of a capital asset. Governments generally hold capital assets because of the services the capital assets provide; consequently, capital asset impairments affect the service utility of the assets. The service utility of a capital asset is the usable capacity that at acquisition was expected to be used to provide service, as distinguished from the level of utilization, which is the portion of the usable capacity currently being used. The events or changes in circumstances that lead to impairments are not considered normal and ordinary. At the time the capital asset was acquired, the event or change in circumstances would not have been expected to occur during the useful life of the capital asset. The Nation had no impaired assets at September 30, 2008.

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

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

**Landfill Closure and Postclosure Care Costs** — The Nation, based on the cumulative amount of used capacity, accrues the currently estimated liability for closure and postclosure care costs for the Nation's landfill operation which is now operated by CNB, 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, 2008 is based on the assumption that the Landfill will be operated by CNB 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 the previous year's 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 2008 were approximately \$188,000.

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

Upon request from the employee and approval by the supervisor and Human Resources, the Cherokee Nation annually buys back designated amounts of accrued annual leave from Regular/Full Time and Regular/Part Time employees, subject to restrictions based on funding agency guidelines as well as fund availability. In Fiscal Year 2008, the Cherokee Nation bought back \$779,000 of accrued annual leave.

### **Net Assets Classifications**

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

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

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

**Revenue Recognition** — The Nation considers revenue to be susceptible to accrual in the governmental funds as it becomes measurable and available, as defined under the modified accrual basis of accounting. The Nation defines the availability period for revenue recognition as ninety (90) days. The Nation's major revenue sources that meet this availability criterion are tax revenues and dividends declared by component units.

**Program Revenues** — There are two classifications of programmatic revenues for the Nation, grant revenue and program revenue. Grant revenues are revenues from federal, state, and private grants. These revenues are recognized when all applicable eligibility requirements are met and are reported as intergovernmental revenues. The primary source of program revenue is earned income in connection with the operation of the Nation's clinics and other health-related services, which are funded by the Department of Health and Human Services ("DHHS") Self Governance Compact.

Under the provisions of the Self Governance Agreement with DHHS, the Nation is required to expend this program income for purposes similar to those funded by the basic DHHS Self Governance Compact. There are no specific requirements designating when or in what order program and other self governance funds should be spent. Program income earned from clinic and other health-related services during the year ended September 30, 2008 was approximately \$17 million.

**Grants and contributions not restricted to specific programs** – In the government-wide Statement of Activities, the Nation's Self Governance compacts are reported as General Revenues because under these compacts the Nation has discretion in the application of these funds to specific programs administered under the general provisions of the compacts. Compacts reported as General Revenues include Self Governance DOI Roads, Self Governance DHHS, and Self Governance DOI Other.

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

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

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

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

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

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

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

**Budgets and Budgetary Accounting Policies** — Title 62, §31-32 provides the legal level of budgetary control for the Cherokee Nation. The Executive and Finance Committee of the Council, upon direction of the Treasurer and with advisement from the Controller, shall formulate an annual appropriations bill. The bill shall contain the legal budgeted annual revenue and expenditures 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 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 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 fund balance sheet includes a reconciliation of total fund balance 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 \$81,270,000 capital assets used in governmental activities are as follows (dollars in thousands):



Capital assets, net	\$ 94,816
Less: Internal service fund capital assets	<u>(13,546)</u>
Capital assets used in governmental activities	<u>\$ 81,270</u>

The next element of the reconciliation is the debt issuance costs of \$1,366,000 and the MOA with the State of Oklahoma for road improvements in Tulsa County of \$6,000,000 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."

Debt Issuance Costs - governmental funds	\$ 1,438
Amortization of debt issuance costs - governmental funds	(72)
MOA with State of Oklahoma for road improvements in Tulsa County	<u>6,000</u>
Net Adjustment to increase fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ 7,366</u>

The final element of that reconciliation, excluding the net assets of the internal service funds of \$11,113,000, explains that "liabilities are not due and payable in the current period and, therefore, not reported in the funds." The details of this \$31,523,000 difference are as follows (dollars in thousands):

Long-term debt - governmental funds	\$ 29,770
Accrued bond interest - governmental funds	437
Accounts payable - governmental funds	<u>1,316</u>
Net Adjustment to decrease fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ 31,523</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 \$12,050,000 difference are as follows (dollars in thousands):

Capital expenditures in governmental funds capitalized on government-wide financial statements	\$ 15,436
Depreciation expense	<u>(3,386)</u>
Net Adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 12,050</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 \$482,000 difference are as follows (dollars in thousands):

Debt principal payments	\$ 2,002
Amortization of debt issuance costs	(72)
Proceeds from long term debt - capital projects	<u>(1,448)</u>
Net adjustment to decrease changes in fund balances- total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 482</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 \$5,261,000 difference are as follows (dollars in thousands):

Additional capital outlay expense and loss on disposal	\$ (302)
Bond interest expense	(437)
MOA with State of Oklahoma for road improvements in Tulsa County	<u>6,000</u>
Net adjustment to increase changes in fund balance - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 5,261</u>

The final element of that reconciliation states that "the internal service funds are used to account for those activities which provide services to other functions within the government. These costs are allocated to the governmental funds in the government-wide financial statements. This amount, \$9,100,000 is the net effect of the allocations."

### 3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The Internal Service Funds' Force Accounts the Enterprise Funds' Landfill had net deficits of \$48,000, and \$579,000 respectively, at September 30, 2008. If the above deficits cannot be recovered in future years through operating revenues and normal transfers, the General Fund may be required to cover the deficits.

### 4. DEPOSITS AND INVESTMENTS

Custodial credit risk is the risk that in the event of a bank failure, the Nation's deposits may not be returned. Cherokee Nation statute requires that funds be deposited in a financial institution insured either by the Federal Deposit Insurance Corporation or Federal Savings and Loan Insurance Corporation. All balances in excess of insurance limits require pledged collateral from the financial institution. All deposits of the primary government were either insured or covered by pledged collateral with the exception of Bank of America. At September 30, 2008, there was a deposit uninsured and under collateralized by \$25,000 which was corrected in October 2008. Component units' deposits of \$2,230,000 at September 30, 2008 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 CN Tribal Council approval.

CNB and its component units' interest rate risk was minimized by the highly liquid nature of its deposits and investments. At September 30, 2008 all deposits and investments were highly liquid and generally subject to re-pricing on a short-term basis.

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. It is the Nation's policy to limit its investments in corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations ("NRSRO's"). The Nation's investments in U.S. agencies and Commercial paper were rated AAA by Standard & Poor's and Fitch Ratings and Aaa by Moody's Investors Service. The Nation's and CNB's mutual fund bond investments were rated AAA by Standard & Poor's and Aaa by Moody's Investors Service.

Concentration of credit risk is the risk of loss attributed to the magnitude of the Nation's investment in a single issuer. The Nation's investment policy does not specifically address concentration of credit risk. Of the total primary government's investments, \$893,000, or 8%, is invested in Fannie Mae securities, \$831,000, or 7%, is invested in Federal Farm Credit Bank securities, \$2,029,000, or 18%, is invested in Federal Home Loan Mortgage Corporation securities and \$754,000 or 7%, 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 \$56,816,000 at September 30, 2008, were rated AAA by Standard and Poor's.

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

During 2008, subsequent to the closing date, CNE received distributions totaling \$55.2 million representing 56.4 million units. At September 30, 2008, the remaining 28.4 million units had a NAV of \$0.9572 or \$27.2 million. The total decline in NAV of the Portfolio was \$2.4 million during 2008 and is included in other expenses in the component units' statement of revenues, expenses and changes in net assets. CNE recognized interest income of \$2.3 million associated with this investment in 2008. Subsequent to the closing, the Portfolio was no longer rated. While the

majority of the underlying investments in the Portfolio are investment grade securities, the Portfolio is subject to risk that the underlying securities will not mature or be redeemable at par. The credit risk associated with the Portfolio is a component of the overall NAV. As of February 23, 2009, the NAV of the Portfolio was \$0.8283.

At September 30, 2008, cash and cash equivalents include \$5,133,000 in a repurchase agreement at a bank under which CNI owned a government sponsored entity 15-year pass-through mortgage pool with an implicit rating of AAA by Standard and Poor's, which was held by a third-party custodian as an agent for CNI, which is fully guaranteed by the U.S. government or its agencies.

Investments, categorized as to interest and credit risk, at September 30, 2008 were as follows (dollars in thousands):

Investment Type	Fair Value	Investment Maturities (in Years)				Credit Rating Moody's/S&P
		Less Than 1	1 - 5	6 - 10	More Than 10	
Primary Government:						
Money market mutual funds	\$ 6,872	\$ 6,872	\$ -	\$ -	\$ -	(1)
Government sponsored entities	4,506	3	363	1,190	2,950	Aaa/AAA
Total Primary Government	\$ 11,378	\$ 6,875	\$ 363	\$ 1,190	\$ 2,950	
Component Units:						
Money market funds	\$ 59,822	\$ 59,822	\$ -	\$ -	\$ -	(1)
Government obligations fund	12,405	11,897	508	-	-	AAA/Aaa
Government sponsored entities	4,426	399	4,027	-	-	AAA/Aaa
Repurchase agreement	7,620	7,620	-	-	-	
Strategic cash portfolio	27,200	27,200	-	-	-	
Total Component Units	\$ 111,473	\$ 106,938	\$ 4,535	\$ -	\$ -	

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

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

Investments as presented above:	\$ 11,378
Plus Certificates of Deposit reported as investments	19,096
Less Money market funds recorded as Restricted Cash & Cash Equivalents & Investments	(2,263)
Less Money market funds recorded as Cash & Cash Equivalents & Investments	(4,609)
Total investments	<u>\$ 23,602</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:	\$ 111,473
Plus Certificates of Deposit reported as investments and restricted investments	20,182
Less Government Obligations recorded as Cash & Cash Equivalents	<u>(76,337)</u>
Total investments	<u>\$ 55,318</u>

**Restricted Cash, Cash Equivalents and Investments** — Restricted cash, cash equivalents and investments and reserved cash at September 30, 2008 included the following (dollars in thousands):

Primary Government	
Unspent loan proceeds in the Internal Leases fund	\$ 1,053
Tenant security deposits held in trust, replacement reserves and mortgage escrow deposits for Tsa-La-Gi	353
Capital replacement, closure and postclosure care costs of the Landfill Operations fund	2,278
Balance in Motor Fuel Tax Education Trust	20,658
Motor Fuel Tax Scholarship Reserve	3,777
Scholarship funds	607
Arkansas River Drybed Lands Settlement	2,263
Balance of funds accumulated for Debt service payments	1,703
District Court escrow account	<u>11</u>
Total Primary Government restricted cash, cash equivalents and investments	<u>\$ 32,703</u>
Component Units	
Escrow relating to the Title VI loan with a bank (see Note 9)	\$ 2,555
HACN's lease-to-own homeownership program monthly equity payments	7,960
CNE and CNWM's construction escrow funds	17,867
Pari-mutuel horse racing activities escrow funds	<u>2,059</u>
Total Component Unit restricted cash, cash equivalents and investments	<u>\$ 30,441</u>

## 5. RECEIVABLES

Receivables at September 30, 2008 consisted of the following (dollars in thousands):

	Primary Government				
	Accounts Receivable			Total	Notes Receivable
	Grants & Contracts Receivable	Accounts Receivable	Interest Receivable		
Governmental Receivables:					
General					
Motor fuel taxes	\$ -	\$ 1,742	\$ -	\$ 1,742	\$ -
Other taxes	-	30	-	30	-
Other accounts receivable	-	3,633	-	3,633	-
Special Revenue Funds:	6,264	702	166	7,132	111
Debt Service Fund:	-	-	1	1	-
Receivables recorded in the Government-wide financial statements that are not recorded in the funds:					
Other - Internal Service Funds	-	284	-	284	-
Receivables of Governmental Activities	\$ 6,264	\$ 6,391	\$ 167	\$ 12,822	\$ 111
Business Type Activities:					
EDTA	\$ -	\$ 1	\$ -	\$ 1	\$ -
Notes receivable, current	-	-	-	-	2,608
Long term notes receivable	-	-	-	-	24,258
	-	1	-	1	26,866
Less: Allowance for uncollectible accounts	-	-	-	-	(490)
Receivables of Business Type Activities	\$ -	\$ 1	\$ -	\$ 1	\$ 26,376

	Component Units				
	CNB	HACN	CNCCA	CNHHS	Total
Receivables:					
Accounts	\$ 16,089	\$ 265	\$ 111	\$ 337	\$ 16,802
Interest	-	456	-	-	456
Notes	1,393	25,048	-	-	26,441
	1,393	25,504	-	-	26,897
Less: Allowance for uncollectibles	(500)	(66)	-	(23)	(589)
Receivables, net	\$ 16,982	\$ 25,703	\$ 111	\$ 314	\$ 43,110

**Mortgages receivable — Title VI** — HACN has mortgages receivable at September 30, 2008 totaling \$24,857,000 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, 2008 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, 2008, the current and non-current portions of these mortgages receivable were \$556,000 and \$24,301,000, respectively. The Nation has a reciprocal note receivable from HACN recorded in its Business-Type Activities.

**6. INTERFUND BALANCES AND TRANSFERS**

Interfund balances at September 30, 2008 consisted of the following (dollars in thousands):

Due to general fund from:	
Title VI loan fund	\$ 50
Nonmajor enterprise funds	767
Internal service funds	3,029
Self Governance DOI - Roads	3,482
Self Governance DHHS	4,709
HUD	1,939
Nonmajor governmental funds	<u>8,755</u>
Total due to general fund from other funds	<u>\$ 22,731</u>
Due from general fund to:	
Internal service funds	\$ 17,403
Nonmajor governmental funds	1,183
Nonmajor enterprise funds	<u>544</u>
Total due from general fund to other funds	<u>\$ 19,130</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.

Interfund transfers for the year ended September 30, 2008 consisted of the following (dollars in thousands):

Transfer	
To general fund from:	
Self Governance DHHS	\$ 725
Self Governance DOI - Roads	1,248
Nonmajor governmental funds	<u>9,565</u>
Total transfers to general fund	<u>\$ 11,538</u>
To Housing and Urban Development from:	
Nonmajor governmental funds	<u>\$ 4</u>
To internal service fund from:	
General fund (1)	<u>\$ 5,622</u>
To enterprise fund from:	
General Fund	\$ 1,246
Housing and Urban Development	154
Nonmajor governmental funds	<u>161</u>
Total transfers to enterprise funds	<u>\$ 1,561</u>
To nonmajor governmental funds from:	
General fund	\$ 892
Self Governance DHHS	2,762
Housing and Urban Development	<u>85</u>
Total due from general fund to other funds	<u>\$ 3,739</u>

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

(1) Total net transfers in the Internal Service Fund includes a transfer in of \$40 which is not included in transfers out of the General Fund because the amount represents transfers of capital assets and long term liabilities from the Internal Service Fund which are not reflected in the General Fund which is accounted for using the modified accrual basis.



**7. INVENTORIES**

The Nation's inventories were comprised of the following at September 30, 2008 (dollars in thousands):

	<b>Governmental Funds</b>	<b>Internal Service Funds</b>	<b>Component Units</b>	<b>Total</b>
Finished goods and raw materials	\$ 892	\$ -	\$ 16,187	\$ 17,079
Food for distribution	598	-	-	598
Supplies	-	157	-	157
	<u>1,490</u>	<u>157</u>	<u>16,187</u>	<u>17,834</u>
Less inventory reserves	<u>-</u>	<u>-</u>	<u>(3,550)</u>	<u>(3,550)</u>
Total inventories	<u>\$ 1,490</u>	<u>\$ 157</u>	<u>\$ 12,637</u>	<u>\$ 14,284</u>

The majority of the component unit inventory at September 30, 2008 relates to CNI, a component unit of CNB, engaged in the production, assembly, and repair of electronic component parts for the telecommunications and other industries.

## 8. CAPITAL ASSETS

A summary of capital assets activity by major class, for the year ended September 30, 2008 follows (dollars in thousands):

### Governmental Activities

	Balance, September 30, 2007	Additions and Net Transfers	Retirements	Balance, September 30, 2008
<b>Activity by Major Class</b>				
Capital assets, not being depreciated:				
Land	\$ 11,591	\$ 2,883	\$ -	\$ 14,474
Buildings and improvements	196	(196)	-	-
Construction in process	30,006	(28,690)	-	1,316
Total capital assets, not being depreciated	<u>41,793</u>	<u>(26,003)</u>	<u>-</u>	<u>15,790</u>
Capital assets being depreciated:				
Buildings and improvements	41,800	36,878	-	78,678
Equipment	22,666	7,438	(608)	29,496
Land improvements	22	558	-	580
Total capital assets being depreciated	<u>64,488</u>	<u>44,874</u>	<u>(608)</u>	<u>108,754</u>
Less accumulated depreciation for:				
Buildings and improvements	(9,506)	(1,629)	-	(11,135)
Equipment	(16,479)	(2,629)	556	(18,552)
Land improvements	(2)	(39)	-	(41)
Total accumulated depreciation	<u>(25,987)</u>	<u>(4,297)</u>	<u>556</u>	<u>(29,728)</u>
Total capital assets being depreciated, net	<u>38,501</u>	<u>40,577</u>	<u>(52)</u>	<u>79,026</u>
Activity by major class capital assets, net	<u>\$ 80,294</u>	<u>\$ 14,574</u>	<u>\$ (52)</u>	<u>\$ 94,816</u>

Depreciation expense was charged to functions as follows:

#### Governmental activities:

Tribal Government	\$ 807
Health Services	1,479
Education Services	359
Human Services	99
Community Services	386
Other Tribal Services	<u>1,167</u>

Total Governmental activities depreciation expense \$ 4,297

<u>Business-type Activities</u>	Balance, September 30, 2007	Additions and Net Transfers	Retirements	Balance, September 30, 2008
Capital assets, not being depreciated -				
Land	\$ 81	\$ -	\$ -	\$ 81
Capital assets being depreciated:				
Buildings and improvements	1,789	-	(52)	1,737
Machinery and equipment	<u>2,483</u>	<u>75</u>	<u>(2,513)</u>	<u>45</u>
Total capital assets being depreciated	<u>4,272</u>	<u>75</u>	<u>(2,565)</u>	<u>1,782</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,201)	(53)	35	(1,219)
Machinery and equipment	<u>(2,252)</u>	<u>(108)</u>	<u>2,315</u>	<u>(45)</u>
Total accumulated depreciation	<u>(3,453)</u>	<u>(161)</u>	<u>2,350</u>	<u>(1,264)</u>
 Total capital assets being depreciated, net	 <u>819</u>	 <u>(86)</u>	 <u>(215)</u>	 <u>518</u>
Business-type activities capital assets, net	<u>\$ 900</u>	<u>\$ (86)</u>	<u>\$ (215)</u>	<u>\$ 599</u>

<u>Component Unit Activities</u>	<u>Balance, September 30, 2007</u>	<u>Additions and transfers in</u>	<u>Retirements and transfers out</u>	<u>Balance, September 30, 2008</u>
CNB and HACN:				
Capital assets, not being depreciated:				
Land	\$ 35,650	\$ 4,178	\$ (1,436)	\$ 38,392
Construction in progress	25,140	125,178	(13,941)	136,377
Artwork	<u>407</u>	<u>77</u>	<u>-</u>	<u>484</u>
Total capital assets not being depreciated	<u>61,197</u>	<u>129,433</u>	<u>(15,377)</u>	<u>175,253</u>
Capital assets being depreciated:				
Buildings and improvements	254,919	8,226	(4,967)	258,178
Machinery and equipment	<u>83,761</u>	<u>14,797</u>	<u>(6,464)</u>	<u>92,094</u>
Total capital assets being depreciated	<u>338,680</u>	<u>23,023</u>	<u>(11,431)</u>	<u>350,272</u>
Less accumulated depreciation for:				
Buildings and improvements	(81,393)	(11,698)	3,592	(89,499)
Machinery and equipment	<u>(50,255)</u>	<u>(14,451)</u>	<u>6,066</u>	<u>(58,640)</u>
Total accumulated depreciation	<u>(131,648)</u>	<u>(26,149)</u>	<u>9,658</u>	<u>(148,139)</u>
Total capital assets being depreciated, net	<u>207,032</u>	<u>(3,126)</u>	<u>(1,773)</u>	<u>202,133</u>
CNB and HACN activities capital assets—net	<u>268,229</u>	<u>126,307</u>	<u>(17,150)</u>	<u>377,386</u>
Other Component Unit activities – CNHHS and CNCCA capital assets, net	<u>592</u>	<u>1,785</u>	<u>-</u>	<u>2,377</u>
Total of the Component Unit activities—capital assets, net	<u>\$ 268,821</u>	<u>\$ 128,092</u>	<u>\$ (17,150)</u>	<u>\$ 379,763</u>

The U.S. Department of Housing and Urban Development Public and Indian Housing division issued Notice PIH 2006-39 to all public and Indian housing authorities on October 19, 2006. The Notice addresses certain accounting for fixed asset depreciation and related issues. The Notice provides suggested guidance that Mutual Help housing units would be reported as "other assets" and be carried at the balances as reflected on the associated amortization schedule, instead of as capital assets, subject to depreciation. The Housing Authority's current practice is to capitalize all costs associated with units related to Mutual Help and similarly structured programs and depreciate those units over the life of the Mutual Help and Occupancy Agreement, twenty-five years. The Housing Authority is currently evaluating the appropriateness of changing its existing accounting policy to the guidance contained in the PIH Notice and the effect such a change in accounting policy would have on the Housing Authority financial statements, and anticipates reaching a decision on this matter in FY 2009.

## 9. LONG-TERM DEBT

Long-term debt activity for the year ended September 30, 2008 was as follows (dollars in thousands):

	October 1, 2007	Additions	Reductions	September 30, 2008	Current Portion	Long-Term Portion
<b>Notes Payable</b>						
3.7% Note payable to Bank of America. See (1) below.	\$ 3,058	\$ -	\$ (494)	\$ 2,564	\$ 513	\$ 2,051
Note payable to bank collateralized by real estate bearing interest at 4% in monthly installments of approximately \$5.	69	-	(69)	-	-	-
Note payable to the Bureau of Indian Affairs in monthly installments of \$2, including interest of 7.625% collateralized by certain lease proceeds.	54	-	(54)	-	-	-
Series 2006 Bonds payable with a pledge of revenues from Health Care System with semi-annual interest payments and annual principal and interest payments. Coupon rate ranges from 4.10% to 4.6%. Payments began December 2007 and bonds mature beginning December 2011. See (2) below.	30,000	-	(1,540)	28,460	1,530	26,930
<b>Capital Leases</b>						
Capital leases payable to Caterpillar Financial Services with aggregate monthly installments of \$9.7 including interest rates ranging from 4.29% to 4.44% and final payment due in October 2009. Secured by related equipment.	225	-	(213)	12	12	-
Capital lease payable to Kronos Inc. with monthly payments of \$23 including interest of 8.63% and final payment due in November 2010. Secured by related equipment.	-	722	(224)	498	218	280
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	-	1,448	(137)	1,311	273	1,038
Total long-term debt	\$ 33,406	\$ 2,170	\$ (2,731)	\$ 32,845	\$ 2,546	\$ 30,299
<b>Compensated Absences (See (3) below)</b>	4,149	6,566	(6,042)	4,673	4,673	
Total long-term debt and compensated absences	\$ 37,555	\$ 8,736	\$ (8,773)	\$ 37,518	\$ 7,219	\$ 30,299

The balances at October 1, 2007 have been reduced by \$26,348,000 from the amount shown in the previous year to reflect the recharacterization of the Title VI Loan Fund from a Special Revenue fund in 2007 to an Enterprise fund in 2008.

- (1) In May 2003, the Nation entered into a \$5,000,000 financing agreement with a bank to fund capital improvement projects and to re-finance the 1992 Series Revenue Bonds. This

note bears interest at 3.7% per annum, in monthly principal and interest installments of \$49,913 with final payment due in May 2013.

- (2) The Nation issued their \$30,000,000 Series 2006 Health Care System Bonds on December 21, 2006. The bonds were issued to fund construction of new clinics in Muskogee and Nowata and an administrative annex for the Redbird Smith clinic in Sallisaw. The bonds carry a coupon rate of 4.1- 4.6% and mature in three phases beginning in 2011. The bonds are secured by a pledge of the health clinics 3<sup>rd</sup> party revenue and a general obligation of the Nation. A monthly debt service reserve of approximately \$230,000 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 BOSC, Inc., a subsidiary of BOK Financial Corporation. The proceeds of the bonds were used to pay off debt incurred to date on these projects and to complete the construction projects. The Muskogee Clinic, the largest of the three projects, was constructed and is operated in accordance with a Joint Venture Construction Program Agreement ("JVCP") between the Nation and the Indian Health Service ("IHS"), Department of Health and Human Services dated December 28, 2005. The Nation did plan, design, construct, equip, lease and operate the Muskogee Clinic according to IHS specifications. The IHS did provide funds to staff and equip the facility in accordance with the joint venture agreement and the self-governance compact. The JVCP agreement provides that the Nation was responsible for constructing the Muskogee Clinic. Upon completion of the Muskogee Clinic, the IHS entered into a "no-cost lease" with the Nation. The no-cost lease is not intended to convey any real property interest in the Muskogee Clinic or the land it is located on but rather, the IHS is merely providing the funding for staffing and equipping the Muskogee Clinic. Pursuant to the terms of the JVCP Agreement, the Self Governance Compact and the no-cost lease, the Nation is the sole operator of the Muskogee Clinic and all employees of the Muskogee Clinic are employees of the Nation. The IHS does not directly provide services at the Muskogee Clinic. IHS funding for the operation of the Muskogee Clinic was provided to the Nation through the Funding Agreements.

The Nation repurchased and canceled \$3,238,000 of its Series 2006 Health Care System Bonds in November 2008.

- (3) Compensated absence liabilities are generally liquidated by the Fringe Pool Internal Service Fund, which allocates to and collects from other funds and/or departments within the Nation. Compensated absences are considered due within one year since the liability can be made payable at any time by the employee leaving the employment of the Nation.

The balance of long-term debt for business-type activities at September 30, 2008 was \$26,403,000. The balance of Long-Term Debt for Component Units at September 30, 2008 was \$28,321,000. Long-term debt in the business-type activities and component units at September 30, 2008 consisted of the following (dollars in thousands):

<u>Business-type Activities</u>	Balance, October 1, 2007	Additions	Reductions	Balance, September 30, 2008	Current Portion	Long-Term Portion
<b>Title VI Loan Fund</b>						
Note payable to bank in fixed principal payments. See (1) below.	\$ 26,348	\$ -	\$ (1,854)	\$ 24,494	\$ 1,854	\$ 22,640
<b>Tsa-La-Gi Apartments</b>						
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.	488	-	(94)	394	100	294
<b>Landfill Operations</b>						
4.75% note payable to Caterpillar Financial Services in monthly installments of \$8 including interest. Secured by related equipment.	209	-	(209)	-	-	-
7.0% note payable to CNE in monthly installments of \$15 including interest. Secured by Landfill accounts receivable.	1,141	-	(1,141)	-	-	-
<b>Economic Development Trust Authority</b>						
Note payable to the Department of Agriculture in variable annual installments including interest of 1% annual, with final payment due October 16, 2030.	1,582	-	(67)	1,515	24	1,491
<b>Total</b>	<u>\$ 29,768</u>	<u>\$ -</u>	<u>\$ (3,365)</u>	<u>\$ 26,403</u>	<u>\$ 1,978</u>	<u>\$ 24,425</u>

The beginning balance for the Title VI loan fund of \$26,348,000 was moved during Fiscal Year 2008 from the governmental type activities to the business type activities. The amount shown as a beginning balance on the business type activities debt rollforward schedule is the beginning balance for the governmental type activities had the loan not been recharacterized.

- (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 Title VI program. 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, 2008 of \$8,469,000 carries an interest rate of 6.7%. Pool B, with a balance at September 30, 2008 of \$16,025,000 carries a variable interest rate, reset monthly, derived from the 30 day LIBOR + 70 basis points, which at September 30, 2008 was 3.19%. Pool A is repayable in monthly principal payments of \$54,358 through May 1, 2022, plus interest. Pool B, effective April 1, 2005 requires monthly principal payments of \$100,150 through June 1, 2022, plus interest. The loan matures in December 2022. The loan proceeds were transferred to the HACN under a loan agreement between the Nation and the HACN to provide funding for construction or acquisition of single-family homes within the Nation's fourteen county jurisdictional area. The HACN provided construction and acquisition of housing for eligible participants using Title VI loan proceeds "drawn down" through the Nation. As part of its participation in the Title VI loan, the HACN was required to deposit securities in escrow with JP Morgan Chase, formerly Bank One, in an amount equal to five percent of the total loan balance, or

approximately \$2,500,000. These securities are being pledged as collateral for the Title VI loan to cover the portion of the loan balance not guaranteed by HUD. The interest and dividends generated on these securities remains the property of the HACN. As collateral for the Title VI loan, the Nation has pledged all current and future grants for which the borrower becomes eligible under NAHASDA as well as program income directly generated from the use of the loan proceeds, program income derived from the sale or lease of real property acquired, rehabilitated or constructed with loan proceeds, and the securities deposited to the Pledge Account. Any program income generated from the above is required to be deposited into a "Loan Repayment Account" to serve as an additional source of payment of principal and interest related to the Title VI loan. The Nation's note receivable from HACN at September 30, 2008 was \$24,494,000, of which, \$2,009,000 is included in notes receivable current and \$22,485,000 is reflected as long term notes receivable in the government-wide statement of net assets as well as at the Proprietary Fund level.



<u>Component Units</u>	Balance, October 1, 2007	Additions	Reductions	Balance, September 30, 2008	Current Portion	Long-Term Portion
<b>Housing Authority of the Cherokee Nation ("HACN")</b>						
Note payable to Cherokee Nation in fixed monthly principal payments of \$44 with interest calculated on the outstanding balance each month. As collateral for the loan, HACN has pledged all current and future grants, for which the borrower becomes eligible under NAHASDA, as well as income directly generated from the use of loan proceeds, program income derived from the sale or lease of real property acquired, rehabilitated or constructed with loan proceeds of the securities deposited to the pledge account. See (1) below.	\$ 26,193	\$ -	\$ (1,700)	\$ 24,493	\$ 1,854	\$ 22,639
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.	141	-	(7)	134	7	127
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.	329	1,094	(11)	1,412	17	1,395
<b>Cherokee Nation Businesses ("CNB")</b>						
Effective April 4, 2002, CNI and a creditor restructured an existing trade payable initiated in fiscal year 2001 for inventory purchases totaling approximately \$8 to a long-term promissory note in 2005. The note is payable monthly with interest at 4% and is due in 2011.	451	-	(126)	325	131	194
CNWM agreed to reimburse the Nation for payments under a capital lease on equipment used in the Cherokee Nation Sanitary Landfill operations. The transaction is being accounted for as if the lease had been assumed by CNWM.	-	142	(22)	120	95	25
<b>Cherokee Nation Comprehensive Care Agency ("CNCCA")</b>						
Note payable to finance building and secured by same at 6.5%, principal and interest payments of \$9 due monthly beginning May 2008 and ending April 2018, at which time any remaining principal is due and payable.	-	1,400	(14)	1,386	11	1,375
Note payable to finance vehicle secured by the vehicle at 5.25% principal and interest of \$1 due monthly from July 2008 and ending June 2011.	-	37	-	37	11	26
Note payable to finance vehicle secured by the vehicle at 5.25% principal and interest of \$1 due monthly from September 2008 and ending August 2013.	-	18	(3)	15	6	9
<b>Cherokee Nation Home Health Service ("CNHHS")</b>						
Bank note payable dated June 7, 2006 in the original amount of \$372 has monthly payments of \$3, including interest at 8% and matures June 7, 2009, secured by a building and land. See (4) below.	361	-	(10)	351	351	-
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.	-	54	(6)	48	6	42
<b>Total</b>	<u>\$ 27,475</u>	<u>\$ 2,745</u>	<u>\$ (1,899)</u>	<u>\$ 28,321</u>	<u>\$ 2,489</u>	<u>\$ 25,832</u>

(1) HACN, during fiscal year 2008, 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, 2008 was \$8,469,087 carries an interest rate of 6.7%. Pool B, whose balance at September 30, 2008 was \$16,024,710 carries a variable interest rate reset monthly, derived from the 30 day LIBOR + 70 basis points, which at September 30, 2008 was 3.19%. Pool A is repayable in monthly principal payments of \$54,358 through May 1, 2022, plus interest. Pool B principal payments of \$100,150 began March of 2005 and are scheduled through June 1, 2022, plus interest. During fiscal year 2008, HACN made total principal payments on Pool A of \$598,000 and on Pool B of \$1,102,000.

- (2) During fiscal year 2006, HACN borrowed \$152,000 for its costs related to the Claremore QuadPlex project. The loan is repaid in monthly payments, beginning February 1, 2006, of \$1,341 including principal and interest. The loan carries an interest rate of 6.75%. The final payment will be made on February 1, 2021. At September 30, 2008 the loan balance was \$134,000.
- (3) During fiscal year 2007, HACN began its Assumable Mortgage Program. In fiscal year 2008, HACN has taken out 14 loans in the total amount of \$1,094,000 for use in the purchase of an additional 14 homes provided to program participants. Interest rates on the loans vary from 6.00% to 7.00% and are payable in monthly installments over thirty years. At September 30, 2008, the loan balance was \$1,412,000.
- (4) CNHHS renewed a promissory note and security agreement with a bank in June 2006 totaling \$371,261, which expires on June 7, 2009. Payments of \$2,901, including interest at 7.0% are due monthly with the remaining balance payable upon maturity. The purpose of the note was to finance the construction of a new office building, completed in March 2006. The note payable is collateralized by the property financed. Amount outstanding at September 30, 2008 was \$351,000.

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

	Principal	Interest	Total
Governmental Activities:			
2009	2,546	1,376	3,922
2010	2,668	1,265	3,933
2011	2,528	1,154	3,682
2012	2,602	1,054	3,656
2013	2,346	948	3,294
2014 through 2018	10,215	3,451	13,666
2019 through 2023	9,940	940	10,880
Total	<u>\$ 32,845</u>	<u>\$ 10,188</u>	<u>\$ 43,033</u>
Business-Type Activities:			
2009	1,978	1,363	3,341
2010	2,020	1,274	3,294
2011	2,028	1,175	3,203
2012	1,988	1,074	3,062
2013	1,915	975	2,890
2014 through 2018	9,583	3,344	12,927
2019 through 2023	6,283	706	6,989
2024 through 2028	345	26	371
2029 through 2033	232	9	241
2034 through 2038	31	-	31
Total	<u>\$ 26,403</u>	<u>\$ 9,946</u>	<u>\$ 36,349</u>

## 10. LINES OF CREDIT

The Nation has a \$5 million line of credit with Bank of America that has never been used.

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

The following is a description of each facility:

Facility A – Facility A is a syndicated revolving facility totaling \$125 million. The facility bears interest at a base rate (the higher of the fed funds rate plus 50 basis points or the administrative agent's prime rate) or the London InterBank Offered Rate (LIBOR) plus 1.25% or 1.50%, depending on CNE's leverage ratio. Facility A has quarterly unused commitment fees, ranging from 0.25% to 0.50%, depending on the level of utilization of the facility. The facility reduces \$3,125,000 a quarter, beginning with the quarter ending June 30, 2010. Facility A matures on June 30, 2013. During the year ended September 30, 2008, CNB drew down approximately \$1,374,000 on Facility A to pay for debt issuance costs on setting up the facility, and then

subsequently repaid the draw down. At September 30, 2008, there were no borrowings outstanding under Facility A. There were letters of credit and other commitments outstanding totaling approximately \$6,900,000. CNB's availability under Facility A was approximately \$118,100,000 at September 30, 2008.

Facility B – Facility B had an original principal amount of \$49,135,000, the balance of CNE's investment in the Columbia Strategic Cash Portfolio (the Portfolio) as of the closing date of the Facility. The availability under Facility B reduces on the 15th of each month to an amount equivalent to CNE's remaining balance in the Portfolio. Facility B bears interest at LIBOR plus 0.375%. Facility B matures on the earlier of final distribution of the Portfolio or November 9, 2010. At September 30, 2008, there were no borrowings outstanding under Facility B. Availability under Facility B was \$27,196,246 at September 30, 2008.

Both CNB and CNE, as borrower and guarantor, respectively, are subject to various reporting and financial covenants, including a requirement to provide separate stand-alone audited financial statements for both entities. Both CNE and CNB were in compliance with all financial covenants at September 30, 2008. All interest and fees incurred by CNB under the Facility are allocated to the respective subsidiaries based on actual borrowings and/or prospective cash needs. Total Facility related costs allocated to CNE from CNB for the year ended September 30, 2008, were \$302,740.

CNB had drawn letters of credit in the amount of \$5,320,000 to provide bonding for construction contracts entered into by CNI's Construction Management Division. CNI's cost for the financing arrangement and related letters of credit for the year ended September 30, 2008, was \$27,105.

## **11. TRUST LIABILITY**

The HACN has several lease-to-own homebuyer programs wherein the tenant/homebuyer may eventually purchase the house in accordance with contractual agreements. These transactions are similar to a financing lease, however are not accounted for as such as the amount and ability to collect the minimum lease payments is not predictable.

Until the time of transfer, these homes remain the property of the HACN. The costs of those units are depreciated over the expected term of payoff at the time of the original agreement, generally 25 years. When the home is paid off in accordance with the agreements and title is transferred to the homebuyer, a gain or loss is recognized by HACN.

The HACN Trust Liabilities reflected in the accompanying financial statements primarily includes a liability for funds that have been received from the tenants or homebuyers in the various lease-to-own programs. These funds are held in a trust type account to be applied to various uses, depending on the agreement with the tenant/homebuyer. The largest of the amounts included in this category are for accounts attributable to the New Mutual Help Housing Program wherein the tenant/homebuyers are credited with a portion of the funds that they have contributed as well as other amounts credited to them in accordance with HUD requirements and program policies. Under the provisions of mutual help occupancy agreements, tenant/homebuyers are required to make payments based on the family or household income. After deducting an administrative fee as set forth by HUD, the remaining balance is credited to the participant's equity payment account ("MEPA"). The balance of the MEPA accounts, which are being held by HACN on behalf of the New Mutual Help homebuyers, was \$7,960,000 as of September 30, 2008. This along with other credits to these tenant/homebuyers totaled \$9,044,000 at September 30, 2008. 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, 2008, other amounts included in this category include escrow deposits held by the HACN associated with the Title VI program mortgages totaling \$139,000, and low income housing tenant's security deposits of \$103,000.

## 12. FUND BALANCE DESIGNATIONS AND RESERVATIONS

At September 30, 2008, the Nation had a total General Fund fund balance of \$84,893,000. This balance includes \$50,241,000 that has been reserved by Legislative Act or restricted by external sources and an unreserved fund balance of \$34,652,000. A brief description of the reserved elements of the Nation's General Fund fund balance follows:

**Motor Fuel Tax** — The Nation began receiving Motor Fuel Tax dollars in 1997 and based on existing agreements with the State of Oklahoma, will continue receiving such funds until 2016. These funds are subject to general restriction under the agreement with the State of Oklahoma. Cherokee Nation Legislative Act 10-97 further restricted the use of these funds to those matters specifically appropriated by Act 10-97 and future legislative acts. A summary of activity in this reserved fund balance during the year ended September 30, 2008 follows (dollars in thousands):

Balance at beginning of year	\$ 28,481
FY 2008 Motor Fuel Tax revenues	7,088
Interest earnings on unexpended funds	964
Actual expenditures	<u>(5,751)</u>
Balance at end of year	<u>\$ 30,782</u>

**Tobacco surtax and tobacco retailers loan fund** — The Nation passed legislation in 2006 adding a surtax to be levied on certain tobacco transactions. The surtax is reserved for initiatives to prevent and treat diabetes and cancer. The amount collected in 2008 totaled \$1,174,000. A summary of activity in this reserved fund balance during the year ended September 20, 2008 follows (dollars in thousands):

Balance at beginning of year	\$ 4,071
FY 2008 Tobacco Surtax revenues	1,174
Actual expenditures	<u>(2,026)</u>
Balance at end of year	<u>\$ 3,219</u>

In addition, the legislation authorized a \$1,000,000 loan fund to be made available to tobacco retailers that are adversely affected by Oklahoma Tax Commission emergency rules. No loans have been made as of September 30, 2008.

**Motor Vehicle Tax** — In 2002, the Nation negotiated with the State of Oklahoma a licensing compact in which the Nation could license motor vehicles and other vehicles owned by the Nation's enrolled citizens living within the jurisdictional area of the Cherokee Nation. The Cherokee Nation

Motor Vehicle Code provides for annual payments by the Nation of 38% of such of revenues to Oklahoma public schools, Sequoyah High School, and Cherokee Nation Head Start Centers, an amount equal to 20% of such revenues for counties, municipalities, and federally- and/or state-funded highway construction or maintenance projects located within the jurisdictional area, and up to 20% of the remaining revenues net of costs incurred in administering the tag office for funding local law enforcement within the jurisdictional area. The term of the compact shall remain for a period of ten years. Amounts restricted for schools, highways, and law enforcement at September 30, 2008 totaled approximately \$6,018,000. A summary of activity in this reserved fund balance during the year ended September 30, 2008 follows (dollars in thousands):

Balance at beginning of year	\$ 5,856
FY 2008 Motor Vehicle Tax revenues	8,161
Interest earnings on unexpended funds	104
Actual expenditures	<u>(8,103)</u>
Balance at end of year	<u>\$ 6,018</u>

**Cash Reserve** — In 2002, Legislative Act 5-02, authorized the establishment of a permanent Cash Reserve Fund. The total of this reserve at September 30, 2008 was \$1,256,000.

**Arkansas River Drybed Lands Settlement** — In FY 2004, Legislative Act 5-04 established the policies and procedures for governing the use and expenditure of trust funds awarded to the Cherokee Nation under the Cherokee, Choctaw, and Chickasaw Nations Claims Settlement Act (“Settlement Act”). The Settlement Act specifically set aside trust funds to be appropriated by Congress for Trust Land Acquisitions. The settlement proceeds, after payment of legal fees are reserved for the purchase of land in designated areas. The reserved fund balance and interest accumulated on the Arkansas River Drybed Lands Settlement at September 30, 2008 follows (dollars in thousands):

Balance at beginning of year	\$ 1,414
Transfer from Judgement Funds	8,941
Actual expenditures	<u>(2,405)</u>
Balance at end of year	<u>\$ 7,950</u>

**SHS Multipurpose Center** – During fiscal year 2007, the Seminole Tribe of Florida donated \$142,000 to Sequoyah High School for the purchase of a sound and lighting system for the Sequoyah Multipurpose Facility. This reserved fund balance on the SHS Multipurpose Center at September 30, 2008 follows (dollars in thousands):

Balance at beginning of year	\$ 142
Actual expenditures	<u>(126)</u>
Balance at end of year	<u>\$ 16</u>

**Unreserved General Fund** — A summary of activity in the unreserved General fund balance for the year ended September 30, 2008 follows (dollars in thousands):

Unreserved fund balance at beginning of year	\$ 38,861
FY 2008 General Fund revenues and other financing sources	79,387
Less:	
Actual expenditures and other financing uses	(75,575)
Additional funds restricted by Tribal Council in 2008	<u>(8,021)</u>
Unreserved fund balance at end of year	<u>\$ 34,652</u>

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

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

The Nation owns a solid waste landfill in eastern Oklahoma. The Nation accounts for this landfill operation in accordance with the provisions of GASB Statement No. 18, "Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs" ("GASB Statement No. 18"), in the Landfill Operations Enterprise Fund.

Federal regulations will require the Nation to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will only be paid near or after the date the landfill stops accepting waste, GASB Statement No. 18 requires proprietary funds, such as Landfill Operations, to report a portion of these costs as an operating expense in each period based on landfill capacity and utilization. The \$2,146,000 reported as Landfill Closure and Postclosure Care Liability at September 30, 2008 (included in "Other Noncurrent Liabilities"), represents the cumulative costs recognized to date based on the existing use of 35% of the total estimated capacity of the landfill. Landfill Operations will recognize the remaining estimated cost of closure and postclosure care of approximately \$4,036,000 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 2008. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The Nation expects the landfill to have a remaining life of approximately 9.3 million cubic yards or approximately 11 years. Actual remaining years of operation is dependant upon several factors including the volume of waste accepted on an annual basis.

Effective July 1, 2008, Cherokee Nation Businesses ("CNB"), a component unit of the Nation entered into an agreement with the Nation whereby CNB obtained the operating rights, through its blended component unit CNWM, for the Cherokee Nation Sanitary Landfill located in Adair County, Oklahoma. Under the current operating agreement, CNWM is not required to pay any royalty fees to the Nation for these operating rights. However, CNWM is required to make an annual payment to the Nation in an amount sufficient to cover the change in the annually calculated closure/post closure liability associated with the landfill operation. The actual closure/post closure liability relating to the landfill operation will be retained by the Nation, together with the cash balances maintained in the Cherokee Nation's Closure/Post Closure Trust Fund.

The Nation makes annual contributions to a restricted bank account to finance closure and postclosure care. At September 30, 2008, restricted cash and cash equivalents of approximately \$2,278,000 were held for these purposes. The Nation expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional postclosure care requirements are necessary (due to changes in technology or applicable laws or regulations, for example), such costs may need to be funded by charges to future landfill users or other revenue sources.

Contract with City of Fayetteville, Arkansas – Cherokee Nation entered into a contract to transport and dispose of municipal solid waste and for operation of a transfer station with the City of Fayetteville (“City”) on April 4<sup>th</sup>, 2006. The Nation continued to operate the City’s transfer station and the waste is being hauled to an alternate facility. Effective July 1, 2008, the future operations, cell development and performance on the City’s contract have been assumed by Cherokee Nation Businesses (“CNB”).

**14. RISK MANAGEMENT AND SELF-INSURED HEALTH PLANS**

The Nation manages its risk exposures through risk retention and the purchase of insurance. In the area of health benefits, the Nation utilizes a modified self-insured program with a third party administrator. Claims for benefits are paid by the Nation to a level of \$150,000 per year per employee. Amounts over \$150,000 are subject to reimbursement by the insurance company.

The Nation is self-insured against employee health and short-term disability claims incurred under its employee group health disability plan. The maximum liability risk to the Nation is \$150,000 per employee per year. 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, 2008. 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 \$1,861,000 at September 30, 2008, has been recorded in accordance with GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

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

<b>Fiscal Year</b>	<b>Balance at Beginning of Year</b>	<b>Claims and Changes in Estimates</b>	<b>Claim Payments</b>	<b>Balance at End of Year</b>
2007	\$ 2,013	\$ 10,708	\$ (11,126)	\$ 1,595
2008	\$ 1,595	\$ 13,449	\$ (13,183)	\$ 1,861

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



Workers' Compensation benefits are provided within the All Lines Aggregate program described below. There is \$100,000 retention with a maximum benefit of \$1,000,000 each accident or disease/employee applies. Employers Liability has a \$1,000,000 per person/claim limit; and Crime coverage has a \$1,000,000 each loss limit with a Retroactive date of 10/01/03.

The first \$100,000 of risk is retained with the All Lines Aggregate program responding to losses occurring between \$100,001 - \$5,000,000. A stop loss equivalent to 1.8% of payroll is in place to limit the Nation's exposure. Program design includes Clash Coverage which further limits the Nation's exposure by applying only one \$100,000 retention per insured incident regardless of the number of coverage lines that may apply arising out of a single Event. Coverage provided by the All Lines Aggregate program includes the following liability coverage on a \$5,000,000 per occurrence basis: Comprehensive General Liability, Products/Completed operations including but not limited to Contractual Liability, Special Events Liability, Sexual Misconduct Liability, Medical Malpractice including Hospital/Clinic Malpractice, Host and/or Liquor Liability, Innkeepers Liability, Automobile Liability including Non-Owned Automobile Liability, Auto Medical Payments, Uninsured and Underinsured Motorists. The following coverage lines have a limit of \$5,000,000 each occurrence and in the Aggregate: Police or Law Enforcement Officials Liability, Tribal Officials Liability, Errors and Omissions Liability, Employee Benefit Liability, and Employment Practices Liability. Retroactive coverage is provided for all coverage lines within this class with a 10/01/2003 Retroactive Date.

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

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

<b>Fiscal Year</b>	<b>Balance at Beginning of Year</b>	<b>Claims and Changes in Estimates</b>	<b>Claim Payments</b>	<b>Balance at End of Year</b>
2007	\$ 1,757	\$ 14,038	\$ (13,814)	\$ 1,980
2008	\$ 1,980	\$ 15,472	\$ (15,632)	\$ 1,820

## **15. EMPLOYEE RETIREMENT PLAN**

The following brief descriptions of the Nation's retirement plans are provided for general information purposes only. Participants should refer to the applicable plan documents for more complete information. The Nation sponsors a defined contribution 401(k) plan, which utilizes Reliance Trust Company, as trustee. A defined contribution plan provides retirement benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined. Under a defined contribution plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account. All regular full-time and regular part-time employees who have attained at least 18 years of age are eligible to participate in the plan upon employment. The plan year is January 1 through December 31. Participants become fully vested after four years of participation in the plan. Employees may contribute from 1% to 25% of their

gross salary, and after 6 months of service the Nation will match 100% for the first 5% and 50% of the next 4%. The plan is administered by the Group Leader of Human Resources, with input from the Nation's Pension Committee. The Pension Committee consists of the plan administrator and employees of the Nation. The plan administrator is responsible for amending the plans' provisions, including contribution requirements.

The Nation's primary government's total gross payroll for fiscal year 2008 was approximately \$90,755,000, which included approximately \$89,080,000 for employees covered by the plan. Contributions to the 401(k) plan for 2008 were approximately \$7,102,000. Contributions expressed in dollars and percent of covered payroll were: Nation \$3,018,000, 3.3% and participants \$4,084,000, 4.5%.

The Nation's required contribution and percentage of contribution for fiscal year 2008 and the two preceding years follows:

<b>Trend Information</b> <b>(dollars in thousands)</b>		
<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Percentage Contribution</u>
2006	\$ 2,414	100%
2007	\$ 2,738	100%
2008	\$ 3,018	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 2008 were \$245,823 of which \$68,246 was required and made by the Nation and \$177,577 was made by participants.

CNB, CNE, CSG and CNWM provide a defined contribution retirement plan, the Cherokee Nation Enterprises, LLC 401(k) Retirement Savings Plan (the Plan). Full-time employees of CNB and these component units who have six months of service and who are at least 21 years old are eligible to participate in the Plan. Under the provisions of the Plan, participants must elect to contribute from 1% to 25% of their eligible compensation of which CNB and these component units will match 100% of the first 6%. During 2008, participating employees contributed \$4,540,713 with employer matching contributions of \$3,489,867 to the Plan.

CNB's component unit, CNE, has deferred compensation and long-term incentive compensation arrangements and a supplemental retirement benefit plan for executive management. At September 30, 2008, liabilities under these deferred compensation and long-term incentive compensation arrangements totaled approximately \$1,032,000.

CNI has a 401(k) savings plan covering substantially all full-time employees except employees subject to medical leasing contracts with the U.S. government employed by CMS. CNI's discretionary contributions to the plan are made based on the participants' compensation. CNI's contributions to the plan were approximately \$243,000 for 2008.

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

## **16. 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, 2008). Dividend payments to the Nation by component units totaled \$35,000,968 (which includes an accrual of \$1,650,000 for distribution in October 2008) during 2008.

The Nation levies certain taxes and fees which apply to some of the Nation's component units. During 2008, the Nation collected a tribal tax on food and beverage, tobacco, merchandise and other retail sales from CNE totaling \$1,219,540. The Nation's Gaming Commission, which has regulatory oversight responsibility for gaming, collected fees of \$1,875,000 from CNE. The Nation also provides certain security services to CNE through the Nation's Marshal Service. In 2008, the Nation collected \$756,871 from CNE for services provided by the Marshals.

The Nation has entered into certain lease agreements with CNE. CNE leases land for a driving range at the Cherokee Trails Golf Course in Tahlequah, Oklahoma, expiring on August 31, 2009. CNE also leases the restaurant and gift shop facilities in Tahlequah expiring on October 1, 2009. Each lease requires a nominal annual fee.

Cherokee Nation Businesses, LLC ("CNB") — On July 1, 2008, the Nation entered into an agreement with CNB, through a newly created entity, Cherokee Nation Waste Management, LLC, (CNWM) whereby CNWM assumed operational responsibility for the Nation's landfill. Under the terms of the agreement, CNWM agreed to develop new cell capacity for the landfill, perform on the waste hauling agreement with the City of Fayetteville and contribute funds to the closure/postclosure account consistent with the capacity used during the term of CNWM's management and operation of the landfill. As a purchase price for the operating rights, CNWM agreed to reimburse the Nation for a lease agreement for equipment utilized by the landfill operation and to release the Nation from a note receivable from the Nation in the amount of \$1,115,644. This note receivable agreement was originally between the Nation and CNE. In 2008, CNE assigned this receivable to CNB, who then assigned it to CNWM. The agreement provided for the transfer of ownership of all capital assets of the landfill, release of the \$1.1 million loan from CNE to the landfill and assumption of the note payable to Warren Cat.

CNE provides funding for cultural development activities on behalf of the Nation. These activities involve restoring Cherokee landmarks as well as engaging in campaigns to inform the public of the Cherokee Nation's history and making contributions to communities within the Cherokee Nation. During 2008, CNE incurred \$1.9 million in operating and employee costs in addition to an \$85,757 capital grant awarded to the Nation for cultural development activities. In addition, during 2008,

CNE incurred approximately \$78,000 in costs associated with renovation of a property owned by the Nation. These renovation costs are to be reimbursed to CNE by the Nation and are included in accounts receivable in the statements of net assets.

The Nation leases certain properties to CNI under a month-to-month agreement. Lease revenues to the Nation for the properties were approximately \$18,000 for 2008.

The Nation entered into a Memorandum of Understanding ("MOU") with CNI to manage certain construction contracts of the Nation. The Nation agreed to pay CNI a management fee of 10% of the cost of the projects. In 2008, CNI had construction revenue of approximately \$5,289,000 and construction costs of approximately \$5,696,000 resulting from the arrangement.

Housing Authority of the Cherokee Nation ("HACN") — February 14, 2008, the Nation and HACN entered into a Memorandum of Agreement ("MOA") for the purpose of designating the Nation as the entity to administer housing programs on behalf of the HACN effective May 1, 2008. This MOA applies to all activities and expenditures of the Nation that are made on behalf of the HACN and encompasses all funding sources of the HACN including but not limited to NAHASDA, Program Income, Non-Program Income, MEPA, Proceeds of Sale, and Operating Reserves. HACN will retain operations related to land title and oversight of the low income tax credit partnership projects. The MOA shall remain in effect until terminated.

A majority of the employees of HACN became employees of the Nation upon implementation of the MOA. The HACN has Board of Commissioners that continues to provide oversight and direction to the remaining activities of HACN.

Cherokee Nation Comprehensive Care Agency ("CNCCA") — The Nation contributed \$761,000 to be used to fund the startup operations of PACE.

Cherokee Nation Home Health Services, Inc ("CNHHS") — In February 2006, CNHHS entered into an agreement with Cherokee Nation Comprehensive Care Agency ("CNCCA") PACE program, to provide an all-inclusive care program for the elderly. CNHHS recognized service revenue and related expenses and at year end held \$111,000 of accounts receivable, net from this transaction.

Cherokee National Historical Society, Inc ("CNHS") — In November 2005, the Nation, CNE, and the CNHS entered into a Memorandum of Agreement to further the parties shared mission to preserve the culture and history of the Cherokees by assigning duties to the party that can best perform those duties. CNHS remained responsible for all charitable fundraising, maintaining memberships, operating the museum and teach the Cherokee Humanities Course. In 2008, CNE provided marketing services, including group sales, and operation of the museum store at a net cost to CNE of \$309,000. 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 2008, the Nation's general fund included operational expenses of \$1,200,000 for the Cherokee Nation Historical Society.

## **17. COMMITMENTS AND CONTINGENCIES**

Citizenship Litigation — The Nation held a special election on March 3, 2007 regarding criteria for citizenship in the Cherokee Nation. The results of that election were that citizenship is now limited to those individuals who had an Indian ancestor on the Dawes Rolls. There is a case filed in the

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

Federal Grants — In the normal course of operations, the Nation and its component units receive grant funds from various federal agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to insure compliance with conditions precedent with the granting of funds. Management does not believe any liability for reimbursement which may arise as the result of these audits will be material.

United Keetoowah Band/Arkansas River Drybed Settlement Claim — The United Keetoowah Band of Cherokee Indians of Oklahoma filed a claim in the United States Court of Claims, alleging that it was entitled to a portion of the funds from the Arkansas Riverbed Settlement Act passed by Congress. That claim was denied and is now on appeal to the United States Federal Circuit Court of Appeals. The legal proceedings, in the opinion of management, based on available information, are not likely to have a material adverse impact on the affected funds of the Nation.

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

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

HACN Matters — The HACN has provided a "Tax Credit Recapture Guarantee" to the Limited Partners of Jay Senior Housing, Stilwell Senior Housing, and the Wisdom Keepers Limited Partnerships (third party syndicators of the tax credits) should the Internal Revenue Service disallow the use of any of the tax credits being marketed to third party investors by the Limited Partners. The HACN has also provided "Operating Deficit Guarantees" to the Limited Partners of Jay and Stilwell Senior Housing Limited Partnerships and Wisdom Keepers Limited Partnerships which would require the Housing Authority to provide capital for operations should the need arise.

CNB Matters — New games continue to be introduced at the gaming sites, which management of CNE believes are permitted under the Class II gaming restrictions or the Compact; however, the permissibility of these games can and may be challenged by licensing and governing authorities that exercise jurisdiction over these activities.

At September 30, 2008, CNE had construction projects underway for the expansion of the Catoosa facility and the West Siloam Springs casino. Some of the project costs are under contractual commitments while others do not include contractual commitments, but once construction started, there is generally a business imperative to complete such construction projects. The total estimated cost for these two projects is approximately \$288.9 million of which \$113.5 million has been incurred as of September 30, 2008. The remaining costs are expected to be incurred during

2009 and 2010. In addition, CNE has approved a construction project for a hotel at West Siloam Springs. Total projected cost for this project is \$26.2 million of which \$2.7 million had been incurred as of September 30, 2008, for architectural and other planning costs. The Cherokee Nation Jobs Growth Act of 2005 specifies that CNE shall retain a minimum of 40% of its net income to fund such capital expansions through 2008. Cash flows from ongoing operations and available credit facilities are expected to be sufficient to fund ongoing projects.

In 2004, CNE acquired the property and facilities formerly known as Will Rogers Downs from an unrelated party. As part of the purchase price, CNE agreed to pay an additional \$1,250,000 when, and if, the property is placed into trust status with the Bureau of Indian Affairs, and could be required to make additional payments based on the cash flows generated by the operation of the facility. These additional payments will be capitalized when, and if, made and depreciated, as applicable, over the remaining economic life of the property. No additional payments as described above were required to be made in 2008.

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 \$7,163,213 in 2008.

In November 2008, CNE announced the signing of a licensing agreement with Hard Rock Hotel Holding, LLC and HRHH IP, LLC. Under the terms of the agreement, pending review of the NIGC, CNE will brand its Catoosa property under the Hard Rock Casino name. CNE will be required to make annual license payments based on a percentage of Catoosa property revenues, with a minimum annual payment of \$5,000,000. In addition, CNE will be required to meet certain operational and capital standards.

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

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

## **18. SUBSEQUENT EVENTS**

WW Hastings Hospital – Effective October 1, 2008, the Nation assumed operations of the WW Hastings Hospital under the self-governance compact with the United States Department of Health and Human Services Indian Healthcare Services (“IHS”). The operations are funded through the annual funding agreement of the IHS compact.

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OTHER  
SUPPLEMENTARY  
INFORMATION



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.
- **Title VI** – Established initially as a Special Revenue Fund 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. This is reported as a major fund in the basic financial statements.
- **Other Grants** – Established to account for various sources of grant funds used to fund specific program activities.
- **Tribal Judgment Funds** – Established to account for monies received by the Nation from the settlement of disputes with the United States Government. The judgment monies are expended in accordance with plans for use and distribution adopted by the Nation and approved as applicable, by the Secretary of the Interior. The judgment fund is controlled and administered by the Bureau of Indian Affairs.
- **Tribal Trusts** – Established to account for income received from external users of tribal lands, such as oil and gas royalties. The Bureau of Indian Affairs administers these funds which may be expended upon request and approval by the Secretary.

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

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

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

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

CHEROKEE NATION  
 COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2008  
 (Dollars in Thousands)

	Special Revenue Funds										Capital Projects			Debt Service		Permanent Funds			Total Nonmajor Governmental Funds
	Self Governance DOI/Other	Sequoyah Education	Talking Leaves Job Corps	Diabetes	Food Distribution	Women, Infants, & Children Head Start	PL 102-477 Title VI	Other Grants	Tribal Judgment Funds	Tribal Trusts	Total	Capital Projects Fund	Debt Service Fund	Sequoyah Endowment	Gammon Education Trust	Total			
<b>ASSETS</b>																			
Cash and cash equivalents	\$ 3,163	\$ 12,906	\$ 22	\$ 4,205	\$ -	\$ -	\$ 10,654	\$ 581	\$ 2,983	\$ 1,616	\$ 36,140	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 36,140		
Investments	-	-	-	-	-	-	-	289	4,506	-	4,795	-	-	-	-	-	4,795		
Receivables net	-	-	1,800	34	101	613	354	3,424	78	2	6,408	-	-	-	-	-	6,409		
Due from other funds	-	-	-	-	-	-	-	-	-	-	-	36	-	-	-	-	36		
Accounts receivable	-	-	-	-	598	-	-	-	-	-	598	-	-	-	-	-	598		
Prepaid expenses	-	-	-	-	-	-	-	111	-	-	111	-	-	-	-	-	111		
Other current assets	-	-	-	-	-	448	-	-	-	-	448	-	-	-	-	-	448		
Restricted cash and cash equivalents	-	-	-	-	-	-	-	2,263	-	-	2,263	-	1,703	246	361	607	4,573		
<b>Total assets</b>	<b>\$ 3,164</b>	<b>\$ 12,906</b>	<b>\$ 1,822</b>	<b>\$ 4,239</b>	<b>\$ 699</b>	<b>\$ 1,061</b>	<b>\$ 10,655</b>	<b>\$ 9,840</b>	<b>\$ 1,618</b>	<b>\$ 50,763</b>	<b>\$ 1,147</b>	<b>\$ 1,740</b>	<b>\$ 246</b>	<b>\$ 361</b>	<b>\$ 607</b>	<b>\$ 54,257</b>			
<b>LIABILITIES AND FUND BALANCE</b>																			
Liabilities																			
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40		
Due to other funds	981	577	1,822	180	101	112	354	1,827	1,740	64	8,593	-	39	-	39	-	8,755		
Other liabilities	-	-	-	-	-	949	-	-	-	-	950	-	-	-	-	-	950		
Deferred grant revenue	2,145	10,317	-	4,059	-	-	8,539	-	-	-	25,356	-	-	-	-	-	25,356		
Unearned revenue	38	-	-	-	598	-	-	-	-	-	636	-	-	-	-	-	636		
<b>Total liabilities</b>	<b>\$ 3,164</b>	<b>\$ 10,894</b>	<b>\$ 1,822</b>	<b>\$ 4,239</b>	<b>\$ 699</b>	<b>\$ 1,061</b>	<b>\$ 9,374</b>	<b>\$ 1,740</b>	<b>\$ 64</b>	<b>\$ 35,575</b>	<b>\$ 123</b>	<b>\$ -</b>	<b>\$ 39</b>	<b>\$ -</b>	<b>\$ 39</b>	<b>\$ 35,737</b>			
Fund balance reserved	-	2,012	-	-	-	-	1,281	8,100	1,554	15,188	1,024	1,740	207	361	568	18,520			
<b>Total fund balances</b>	<b>\$ 3,164</b>	<b>\$ 12,906</b>	<b>\$ 1,822</b>	<b>\$ 4,239</b>	<b>\$ 699</b>	<b>\$ 1,061</b>	<b>\$ 10,655</b>	<b>\$ 9,840</b>	<b>\$ 1,618</b>	<b>\$ 50,763</b>	<b>\$ 1,147</b>	<b>\$ 1,740</b>	<b>\$ 246</b>	<b>\$ 361</b>	<b>\$ 568</b>	<b>\$ 54,257</b>			

CHEROKEE NATION  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED, SEPTEMBER 30, 2008  
 (Dollars in Thousands)

	Special Revenue Funds											Capital Projects			Debt Service			Permanent Funds			Total Nonmajor Governmental Funds							
	Talking Leaves Job Corps		Diabetes		Food Distribution		Women, Infants, & Children Head Start		PL 102-477 Title VI		Tribal Judgment Funds		Tribal Trusts		Total		Capital Projects Fund		Debt Service Fund			Sequoyah Education Trust		Gammom Education Trust		Total		
	Self Governance DOI-Other	Sequoyah Education																										
<b>Revenues:</b>																												
Intergovernmental	\$ 10,495	\$ 8,569	\$ 6,782	\$ 5,532	\$ 8,008	\$ 6,816	\$ 6,160	\$ 11,862	\$ -	\$ 18,330	\$ -	\$ -	\$ 82,554	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 82,554
Interest	42	382	-	105	-	1	3	255	-	24	599	48	1,459	-	-	-	-	-	-	-	-	-	-	-	-	-	1,523	
Other	381	-	-	-	45	-	615	499	-	2,241	-	171	3,953	-	-	-	-	-	-	-	-	-	-	-	-	-	3,553	
Health third party	-	-	-	-	-	-	-	-	-	370	-	-	370	-	-	-	-	-	-	-	-	-	-	-	-	-	370	
<b>Total revenues</b>	<b>10,918</b>	<b>8,952</b>	<b>6,782</b>	<b>5,637</b>	<b>8,053</b>	<b>6,817</b>	<b>6,778</b>	<b>12,616</b>	<b>-</b>	<b>20,965</b>	<b>599</b>	<b>219</b>	<b>88,336</b>	<b>26</b>	<b>7</b>	<b>10</b>	<b>17</b>	<b>21</b>	<b>21</b>	<b>26</b>	<b>26</b>	<b>7</b>	<b>10</b>	<b>17</b>	<b>21</b>	<b>26</b>	<b>88,400</b>	
<b>Expenditures:</b>																												
Current operating																												
Tribal government	2,308	-	-	-	-	-	-	-	-	122	12	-	2,442	-	-	-	-	-	-	-	-	-	-	-	-	-	2,450	
Health services	3,566	8,030	6,782	5,586	-	6,817	6,778	2,297	-	7,242	-	-	19,845	4,122	-	-	-	-	-	-	-	-	-	-	-	-	23,767	
Education services	2,530	-	-	-	8,481	-	-	9,708	-	2,700	-	-	29,723	-	-	-	-	-	-	-	-	2	-	-	-	2	29,725	
Human services	274	-	-	-	-	-	-	-	-	7,886	-	-	28,603	-	-	-	-	-	-	-	-	-	-	-	-	-	28,605	
Community services	1,993	-	-	-	-	-	-	-	-	474	-	-	748	-	-	-	-	-	-	-	-	-	-	-	-	-	748	
Other tribal services	-	-	-	-	-	-	-	-	-	2,442	-	-	4,435	-	-	-	-	-	-	-	-	-	-	-	-	-	4,435	
Debt services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,540	
Principal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	842	
Interest	17	778	-	51	247	-	-	60	-	-	-	-	1,153	6,453	-	-	-	-	-	-	-	-	-	-	-	-	7,606	
Capital outlay	10,688	8,808	6,782	5,637	8,728	6,817	6,778	12,005	-	20,496	12	-	86,751	10,875	2,390	-	-	-	-	-	-	2	-	-	-	2	99,718	
<b>Total expenditures</b>	<b>230</b>	<b>144</b>	<b>-</b>	<b>(675)</b>	<b>-</b>	<b>611</b>	<b>-</b>	<b>469</b>	<b>587</b>	<b>(10,649)</b>	<b>5</b>	<b>15</b>	<b>1,318</b>	<b>(2,369)</b>	<b>5</b>	<b>10</b>	<b>15</b>	<b>(3,269)</b>	<b>(2,369)</b>	<b>(10,649)</b>	<b>(10,649)</b>	<b>5</b>	<b>10</b>	<b>15</b>	<b>5</b>	<b>15</b>	<b>1,318</b>	
<b>Excess (deficiency) of revenues over expenditures</b>	<b>80</b>	<b>221</b>	<b>-</b>	<b>675</b>	<b>-</b>	<b>611</b>	<b>-</b>	<b>269</b>	<b>-</b>	<b>1,245</b>	<b>-</b>	<b>-</b>	<b>1,245</b>	<b>(8,237)</b>	<b>2,762</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(8,237)</b>	<b>(8,237)</b>	<b>393</b>	<b>5</b>	<b>10</b>	<b>15</b>	<b>5</b>	<b>15</b>	
<b>Other financing sources (uses):</b>																												
Transfers in	(310)	-	-	-	-	-	-	(161)	(70)	(8,941)	-	-	(9,482)	(516)	-	-	-	-	-	-	-	-	-	-	-	-	4,007	
Transfers out	(230)	-	-	-	-	-	-	(161)	(99)	(8,941)	-	-	(8,237)	(516)	-	-	-	-	-	-	-	-	-	-	-	-	(9,958)	
<b>Total other financing sources (uses)</b>	<b>(540)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(322)</b>	<b>(169)</b>	<b>(17,882)</b>	<b>-</b>	<b>-</b>	<b>(18,719)</b>	<b>(1,032)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(14,751)</b>	
<b>Excess (deficiency) of revenues and other financing sources over expenditures</b>	<b>365</b>	<b>221</b>	<b>-</b>	<b>675</b>	<b>-</b>	<b>611</b>	<b>-</b>	<b>269</b>	<b>-</b>	<b>1,245</b>	<b>-</b>	<b>-</b>	<b>1,245</b>	<b>(9,482)</b>	<b>2,762</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(9,482)</b>	<b>(9,482)</b>	<b>393</b>	<b>5</b>	<b>10</b>	<b>15</b>	<b>5</b>	<b>15</b>	
Fund balance, October 1, 2007	1,647	-	-	-	-	-	-	670	16	1,573	16,454	1,335	21,940	12,089	1,347	-	-	-	-	-	-	202	351	553	-	-	35,629	
<b>Fund balance, September 30, 2008</b>	<b>\$ 2,012</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,281</b>	<b>\$ -</b>	<b>\$ 2,241</b>	<b>\$ 8,100</b>	<b>\$ 1,554</b>	<b>\$ 15,188</b>	<b>\$ 1,024</b>	<b>\$ 1,740</b>	<b>\$ 207</b>	<b>\$ 361</b>	<b>\$ 568</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 207</b>	<b>\$ 361</b>	<b>\$ 568</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 18,520</b>	

# 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 Operations** – Utilized to account for the solid waste landfill operations of the Nation located in Stilwell, Oklahoma.
- **EDTA** - Established by Tribal Council Legislative Act 36-89 as a mechanism to promote economic development. Its mission is to provide opportunities for income generation through economic development, to provide loans for business creation/expansion, and to provide loans to qualified individuals whom have traditionally been denied through conventional lending sources.
- **Other Enterprises** – Utilized to account for various other small proprietary programs operated by the Nation such as Enterprise Management, 202 HUD Housing Management, Indian Health Services Personnel Service Agreement, Home Maintenance, Cherokee Navigation, and Extended Care.

# CHEROKEE NATION

## COMBINING STATEMENT OF NET ASSETS - NONMAJOR ENTERPRISE FUNDS

SEPTEMBER 30, 2008

(Dollars in Thousands)

	Tsa-La-Gi Apartments	Landfill Operations	EDTA	Other Enterprises	Total
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 71	\$ 112	\$ 1,686	\$ -	\$ 1,869
Accounts receivable, net	-	-	1	-	1
Due from other funds	-	-	472	72	544
Notes receivable, current	-	-	109	-	109
Other current assets	2	-	-	-	2
Total current assets	73	112	2,268	72	2,525
Noncurrent assets:					
Restricted cash and cash equivalents	353	2,278	-	-	2,631
Long-term notes receivable	-	-	1,773	-	1,773
Capital assets, net	599	-	-	-	599
Total noncurrent assets	952	2,278	1,773	-	5,003
Total assets	1,025	2,390	4,041	72	7,528
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable and accrued liabilities	26	58	1	-	85
Current portion of long-term debt	100	-	24	-	124
Current portion of capital leases	-	-	-	-	-
Due to other funds	2	765	-	-	767
Other current liabilities	21	-	-	-	21
Total current liabilities	149	823	25	-	997
Noncurrent liabilities:					
Long-term debt	295	-	1,490	-	1,785
Capital leases	-	-	-	-	-
Due to component units	-	-	-	-	-
Other liabilities	-	2,146	-	-	2,146
Total noncurrent liabilities	295	2,146	1,490	-	3,931
Total liabilities	444	2,969	1,515	-	4,928
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	204	-	-	-	204
Restricted	310	-	-	-	310
Unrestricted net assets/(deficit)	67	(579)	2,526	72	2,086
Total net assets	\$ 581	\$ (579)	\$ 2,526	\$ 72	\$ 2,600

**CHEROKEE NATION**

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -  
NONMAJOR ENTERPRISE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008  
(Dollars in Thousands)**

	Business-type Activities- Enterprise Funds				Total
	Tsa-La-Gi Apartments	Landfill Operations	EDTA	Other Enterprises	
Operating revenues:					
Property rentals	\$ 518	\$ -	\$ -	\$ -	\$ 518
Charges for services and goods	-	1,126	-	-	1,126
Other	7	-	22	-	29
Total operating revenues	525	1,126	22	-	1,673
Operating expenses:					
Salaries and wages	36	481	-	-	517
Other services and charges	262	1,653	357	-	2,272
Materials and supplies	15	36	-	-	51
Depreciation and amortization	51	111	-	-	162
Total operating expenses	364	2,281	357	-	3,002
Operating income (loss)	161	(1,155)	(335)	-	(1,329)
Nonoperating revenues (expenses):					
Interest income	9	62	174	-	245
Interest expense	(30)	(27)	(16)	-	(73)
Gain/(loss) on sale of fixed assets	-	1,044	-	-	1,044
Net nonoperating revenues (expenses)	(21)	1,079	158	-	1,216
Income (loss) before transfers	140	(76)	(177)	-	(113)
Transfers in	-	1,246	154	-	1,400
Change in net assets	140	1,170	(23)	-	1,287
Total net assets - beginning	441	(1,749)	2,549	72	1,313
Total net assets - ending	\$ 581	\$ (579)	\$ 2,526	\$ 72	\$ 2,600



**CHEROKEE NATION**

**COMBINING STATEMENT OF CASH FLOWS - NONMAJOR ENTERPRISE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008  
(Dollars in Thousands)**

	Business-type Activities - Enterprise Funds				
	Tsa-La-Gi Apartments	Landfill Operations	EDTA	Other Enterprises	Total
Cash flows from operating activities:					
Receipts from customers	\$ 518	\$ 1,126	\$ -	\$ -	\$ 1,644
Internal activity - payments from other funds	-	-	20	-	20
Payments to suppliers	(270)	(1,756)	(356)	-	(2,382)
Payments to employees	(36)	(481)	-	-	(517)
Internal activity - payment to other funds	2	301	-	-	303
Other receipts	7	-	22	-	29
Net cash provided/(used) by operating activities	<u>221</u>	<u>(810)</u>	<u>(314)</u>	<u>-</u>	<u>(903)</u>
Cash flows from noncapital financing activities					
Transfer from other funds	-	1,246	154	-	1,400
Principal payment on notes payable	-	-	(68)	-	(68)
Interest payment on notes payable	-	-	(16)	-	(16)
Net cash provided by noncapital financing activities	<u>-</u>	<u>1,246</u>	<u>70</u>	<u>-</u>	<u>1,316</u>
Cash flows from capital and related financing activities					
Purchases of capital assets	-	(75)	-	-	(75)
Principal payments on capital debt and leases	(93)	(1,350)	-	-	(1,443)
Interest payments on capital debt and leases	(30)	(27)	-	-	(57)
Proceeds from sales of capital assets	-	1,258	-	-	1,258
Net cash (used) by capital and related financing activities	<u>(123)</u>	<u>(194)</u>	<u>-</u>	<u>-</u>	<u>(317)</u>
Cash flows from investing activities					
Interest and dividends received	9	62	174	-	245
Decrease(increase) on notes receivable, net	-	-	(73)	-	(73)
Net cash provided by investing activities	<u>9</u>	<u>62</u>	<u>101</u>	<u>-</u>	<u>172</u>
Net increase (decrease) in cash and cash equivalents	107	304	(143)	-	268
Cash and cash equivalents, October 1, 2007	317	2,086	1,829	-	4,232
Cash and cash equivalents, September 30, 2008	<u>\$ 424</u>	<u>\$ 2,390</u>	<u>\$ 1,686</u>	<u>\$ -</u>	<u>\$ 4,500</u>
Cash and cash equivalents consist of:					
Unrestricted cash and cash equivalents	\$ 71	\$ 112	\$ 1,686	\$ -	\$ 1,869
Restricted cash and cash equivalents	353	2,278	-	-	2,631
Total Cash and Cash Equivalents, September 30, 2008	<u>\$ 424</u>	<u>\$ 2,390</u>	<u>\$ 1,686</u>	<u>\$ -</u>	<u>\$ 4,500</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 161	\$ (1,155)	\$ (335)	\$ -	\$ (1,329)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	51	111	-	-	162
Change in assets and liabilities:					
Receivables and due from (to) other funds	-	-	20	-	20
Liabilities and other payables	9	234	1	-	244
Net cash provided by operating activities	<u>\$ 221</u>	<u>\$ (810)</u>	<u>\$ (314)</u>	<u>\$ -</u>	<u>\$ (903)</u>

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# INTERNAL SERVICE FUNDS

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

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

**CHEROKEE NATION**

**COMBINING STATEMENT OF NET ASSETS - INTERNAL SERVICE FUNDS**

**SEPTEMBER 30, 2008**

**(Dollars in Thousands)**

	<u>Internal Leases</u>	<u>Force Accounts</u>	<u>Fringe Pool</u>	<u>Indirect Cost Pool</u>	<u>Total</u>
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ -	\$ -	\$ 35	\$ 8	\$ 43
Accounts receivable, net	-	-	-	284	284
Due from other funds	-	-	15,895	1,508	17,403
Inventories	-	-	-	157	157
Other current assets	-	-	-	213	213
Total current assets	<u>-</u>	<u>-</u>	<u>15,930</u>	<u>2,170</u>	<u>18,100</u>
Noncurrent assets:					
Restricted cash & cash equivalents	1,053	-	-	-	1,053
Capital assets, net	11,621	-	-	1,925	13,546
Total noncurrent assets	<u>12,674</u>	<u>-</u>	<u>-</u>	<u>1,925</u>	<u>14,599</u>
Total assets	<u>12,674</u>	<u>-</u>	<u>15,930</u>	<u>4,095</u>	<u>32,699</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable and accrued liabilities	5	-	6,350	170	6,525
Current portion of long-term debt	513	-	-	-	513
Current portion of capital leases	12	-	-	218	230
Due to other funds	2,981	48	-	-	3,029
Compensated absences	-	-	4,673	-	4,673
Other current liabilities	-	-	1,861	2,486	4,347
Total current liabilities	<u>3,511</u>	<u>48</u>	<u>12,884</u>	<u>2,874</u>	<u>19,317</u>
Noncurrent liabilities:					
Long-term debt	2,051	-	-	-	2,051
Capital leases payable	-	-	-	281	281
Total noncurrent liabilities	<u>2,051</u>	<u>-</u>	<u>-</u>	<u>281</u>	<u>2,332</u>
Total liabilities	<u>5,562</u>	<u>48</u>	<u>12,884</u>	<u>3,155</u>	<u>21,649</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	9,045	-	-	1,426	10,471
Unrestricted net assets/(deficit)	(1,933)	(48)	3,046	(486)	579
Total net assets/(deficit)	<u>\$ 7,112</u>	<u>\$ (48)</u>	<u>\$ 3,046</u>	<u>\$ 940</u>	<u>\$ 11,050</u>

**CHEROKEE NATION**

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008  
(Dollars in Thousands)**

	Internal Leases	Force Accounts	Fringe Pool	Indirect Cost Pool	Total
Operating revenues:					
Property rentals	\$ 3	\$ -	\$ -	\$ -	\$ 3
Charges for services and goods	3,107	-	44,483	26,366	73,956
Other	88	69	-	53	210
Total operating revenues	<u>3,198</u>	<u>69</u>	<u>44,483</u>	<u>26,419</u>	<u>74,169</u>
Operating expenses:					
Cost of sales	-	-	-	5	5
Salaries and wages	1,404	89	41,432	13,586	56,511
Other services and charges	1,176	37	5	10,412	11,630
Materials and supplies	281	1	-	1,383	1,665
Depreciation and amortization	389	-	-	521	910
Total operating expenses	<u>3,250</u>	<u>127</u>	<u>41,437</u>	<u>25,907</u>	<u>70,721</u>
Operating income (loss)	<u>(52)</u>	<u>(58)</u>	<u>3,046</u>	<u>512</u>	<u>3,448</u>
Nonoperating revenues (expenses):					
Interest income	30	-	-	-	30
Interest expense	(110)	-	-	(48)	(158)
Net nonoperating revenues (expenses)	<u>(80)</u>	<u>-</u>	<u>-</u>	<u>(48)</u>	<u>(128)</u>
Income (loss) before transfers	(132)	(58)	3,046	464	3,320
Capital contribution	134	-	-	-	134
Transfers in	-	375	5,448	-	5,823
Transfers out	-	(161)	-	-	(161)
Change in net assets	2	156	8,494	464	9,116
Total net assets/(deficit) - beginning	<u>7,110</u>	<u>(204)</u>	<u>(5,448)</u>	<u>476</u>	<u>1,934</u>
Total net assets/(deficit) - ending	<u>\$ 7,112</u>	<u>\$ (48)</u>	<u>\$ 3,046</u>	<u>\$ 940</u>	<u>\$ 11,050</u>

**CHEROKEE NATION**

**COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008  
(Dollars in Thousands)**

	Internal Leases	Force Accounts	Fringe Pool	Indirect Cost Pool	Total
<b>Cash flows from operating activities:</b>					
Receipts from customers	\$ 3,110	\$ -	\$ 44,483	\$ 26,282	\$ 73,875
Internal activity - payments from other funds	-	-	(12,522)	(1,198)	(13,720)
Payments to suppliers	(1,451)	(29)	2,068	(10,784)	(10,196)
Payments to employees	(1,404)	(89)	(40,908)	(13,586)	(55,987)
Internal activity - payments to other funds	1,810	(155)	-	-	1,655
Internal activity - payments from other component units	-	-	-	64	64
Other receipts	88	69	-	53	210
Net cash provided/(used) by operating activities	<u>2,153</u>	<u>(204)</u>	<u>(6,879)</u>	<u>831</u>	<u>(4,099)</u>
<b>Cash flows from noncapital financing activities:</b>					
Transfer from other funds	-	375	5,448	-	5,823
Transfer to other funds	-	(161)	-	-	(161)
Net cash provided by noncapital financing activities	<u>-</u>	<u>214</u>	<u>5,448</u>	<u>-</u>	<u>5,662</u>
<b>Cash flows from capital and related financing activities:</b>					
Purchases of capital assets	(1,537)	161	-	(1,283)	(2,659)
Principal paid on capital debt	(506)	(201)	-	499	(208)
Interest paid on capital debt	(110)	-	-	(48)	(158)
Net cash provided/(used) by capital and related financing activities	<u>(2,153)</u>	<u>(40)</u>	<u>-</u>	<u>(832)</u>	<u>(3,025)</u>
<b>Cash flows from investing activities:</b>					
Interest and dividends	30	-	-	-	30
Net cash provided by investing activities	<u>30</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30</u>
Net increase (decrease) in cash and cash equivalents	30	(30)	(1,431)	(1)	(1,432)
Cash and cash equivalents, October 1, 2007	1,023	30	1,466	9	2,528
Cash and cash equivalents, September 30, 2008	<u>\$ 1,053</u>	<u>\$ -</u>	<u>\$ 35</u>	<u>\$ 8</u>	<u>\$ 1,096</u>
<b>Cash and cash equivalents consist of:</b>					
Unrestricted cash and cash equivalents	\$ -	\$ -	\$ 35	\$ 8	\$ 43
Restricted cash and cash equivalents	1,053	-	-	-	1,053
Total Cash and Cash Equivalents, September 30, 2008	<u>\$ 1,053</u>	<u>\$ -</u>	<u>\$ 35</u>	<u>\$ 8</u>	<u>\$ 1,096</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>					
Operating income (loss)	\$ (52)	\$ (58)	\$ 3,046	\$ 512	\$ 3,448
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	389	-	-	521	910
Change in assets and liabilities:					
Receivables and due from (to) other funds	-	-	(12,522)	(1,218)	(13,740)
Inventories	-	-	-	(8)	(8)
Other current assets	1	9	-	339	349
Accounts and other payables	1,815	(155)	2,597	685	4,942
Net cash provided by operating activities	<u>\$ 2,153</u>	<u>\$ (204)</u>	<u>\$ (6,879)</u>	<u>\$ 831</u>	<u>\$ (4,099)</u>
<b>Noncash investing, capital, and financing activities:</b>					
Contributions of capital assets from government	134	-	-	-	

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# COMPONENT UNIT

**CHEROKEE NATION**

COMBINING STATEMENT OF NET ASSETS - CHEROKEE NATION BUSINESSES, LLC  
 SEPTEMBER 30, 2008  
 (Dollars in Thousands)

	Cherokee Nation Businesses LLC (CNB)	Cherokee Nation Waste Management LLC (CNWM)	Cherokee Nation Enterprises LLC (CNE)	Cherokee Services Group, LLC (CSG)	Cherokee Nation Industries LLC (CNI)	Eliminations	Total
<b>ASSETS</b>							
Current assets							
Cash and cash equivalents	\$ 2,381	\$ -	\$ 60,977	\$ 105	\$ 6,225	\$ -	\$ 69,688
Restricted cash	-	9,375	10,551	-	-	-	19,926
Investments	-	-	27,196	-	-	-	27,196
Receivables, net	1,156	224	2,466	75	12,823	(1,155)	15,589
Inventories	-	-	3,299	-	9,338	-	12,637
Notes receivable	9	-	-	-	-	-	9
Other current assets	9	-	4,579	2	354	-	4,944
Total current assets	3,555	9,599	109,068	182	28,740	(1,155)	149,989
Notes receivable	1,384	-	-	-	-	-	1,384
Deferred loan issuance costs	1,334	-	-	-	-	-	1,334
Other assets	-	-	-	-	196	-	196
Investment in partnerships/joint ventures	3,011	-	-	-	-	-	3,011
Capital assets, net	453	1,363	297,518	-	3,823	-	303,157
Total noncurrent assets	6,182	1,363	297,518	-	4,019	-	309,082
Total assets	9,737	10,962	406,586	182	32,759	(1,155)	459,071
<b>LIABILITIES</b>							
Current liabilities							
Accounts payable and accrued liabilities	1,227	867	75,373	272	12,418	(1,155)	89,002
Current portion of long term debt	-	95	-	-	131	-	226
Total current liabilities	1,227	962	75,373	272	12,549	(1,155)	89,228
Long-term debt	-	24	-	-	195	-	219
Total liabilities	1,227	986	75,373	272	12,744	(1,155)	89,447
<b>NET ASSETS</b>							
Invested in capital assets, net of related debt	453	1,244	265,780	-	3,823	-	271,300
Restricted for							
Construction	-	9,375	8,491	-	-	-	17,866
Unrestricted net assets/(deficit)	8,057	(643)	56,942	(90)	16,192	-	80,458
Total net assets (deficit)	\$ 8,510	\$ 9,976	\$ 331,213	\$ (90)	\$ 20,015	\$ -	\$ 369,624

## CHEROKEE NATION

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS (DEFICIT) -  
 CHEROKEE NATION BUSINESSES, LLC  
 FOR THE YEAR ENDED SEPTEMBER 30, 2008  
 (Dollars in Thousands)

	Cherokee Nation Businesses LLC (CNB)	Cherokee Nation Waste Management LLC (CNWM)	Cherokee Nation Enterprises LLC (CNE)	Cherokee Services Group, LLC (CSG)	Cherokee Nation Industries LLC (CNI)	Eliminations	Total
Operating revenues							
Charges for services and goods	\$ 5,823	\$ 350	\$ 437,834	\$ 232	\$ 81,269	\$ (4,423)	\$ 521,085
Gain (loss) on investments in joint ventures	388	-	-	-	-	-	388
Total operating revenues	6,211	350	437,834	232	81,269	(4,423)	521,473
Operating expenses:							
Cost of sales/operations	1,400	-	88,446	-	40,977	-	130,823
Salaries and wages	4,812	112	131,717	188	29,069	-	165,898
Other services and charges	2,992	689	80,222	90	14,077	(4,423)	93,647
Depreciation and amortization	126	60	20,977	-	573	-	21,736
Total operating expenses	9,330	861	321,362	278	84,696	(4,423)	412,104
Operating income (loss)	(3,119)	(511)	116,472	(46)	(3,427)	-	109,369
Nonoperating revenues (expenses)							
Interest/investment income	337	-	3,180	1	267	-	3,785
Interest expense	(241)	(1)	-	-	(292)	-	(534)
Other, net	219	(3)	(3,657)	(2)	(13)	-	(3,456)
Net nonoperating revenues (expenses)	315	(4)	(477)	(1)	(38)	-	(205)
Net Income (loss)	(2,804)	(515)	115,995	(47)	(3,465)	-	109,164
Dividends to primary government	-	-	(35,001)	-	-	-	(35,001)
Transfers to (from) component unit	(7,974)	10,491	(16,264)	(80)	13,827	-	-
Capital grants to primary government	-	-	(86)	-	-	-	(86)
Change in net assets	(10,778)	9,976	64,644	(127)	10,362	-	74,077
Net assets, beginning of year	19,288	-	266,569	37	9,653	-	295,547
Net assets (deficit), end of year	\$ 8,510	\$ 9,976	\$ 331,213	\$ (90)	\$ 20,015	\$ -	\$ 369,624

# 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, 2008  
(Dollars in Thousands)**

	Budgeted Amounts			Variance with Final Budget over/(under)
	Original	Final	Actual	
Operating revenues:				
Property rentals	\$ 501	\$ 501	\$ 518	\$ 17
Charges for services and goods	2,268	(169)	1,126	1,295
Other	65	565	29	(536)
Total operating revenues	<u>2,834</u>	<u>897</u>	<u>1,673</u>	<u>776</u>
Operating expenses:				
Salaries and wages	1,052	614	517	(97)
Other services and charges	780	2,019	2,427	408
Materials and supplies	1	1	51	50
Depreciation and amortization	911	55	162	107
Total operating expenses	<u>2,744</u>	<u>2,689</u>	<u>3,157</u>	<u>468</u>
Operating income (loss)	<u>90</u>	<u>(1,792)</u>	<u>(1,484)</u>	<u>308</u>
Nonoperating revenues(expenses):				
Interest income	62	1,815	1,548	(267)
Interest expense	(61)	(1,780)	(1,376)	404
Gain/(loss) on sale of fixed assets	-	-	1,044	1,044
Net nonoperating revenue (expenses)	<u>1</u>	<u>35</u>	<u>1,216</u>	<u>1,181</u>
Income (loss) before transfers	91	(1,757)	(268)	1,489
Transfers in	-	1,407	1,561	154
Transfers out	(80)	(80)	-	(80)
Changes in net assets	11	(430)	1,293	1,723
Total net assets - beginning	1,313	1,313	1,313	-
Total net assets - ending	<u>\$ 1,324</u>	<u>\$ 883</u>	<u>2,606</u>	<u>\$ 1,723</u>
Adjustment to reflect the consolidation of Internal Service Funds activities related to Enterprise Funds			(63)	
Net assets of Enterprise Funds			<u>\$ 2,543</u>	

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# STATISTICAL SECTION

**The Statistical Section** provides financial statement users with additional detailed information as a context for understanding the information in the financial statements, notes to financial statements, and required supplementary information as it relates to the government's overall financial health.

- **Financial Trends** – Schedules which contain trend information to assist users in understanding how the government's financial position has changed over time.
- **Revenue Capacity** – Schedules which contain information relating to the government's most significant tax revenue sources.
- **Debt Capacity** – Schedules which present information to help the reader assess the government's current levels of outstanding debt and the ability to issue additional debt in the future.
- **Demographic and Economic Information** – Demographic and economic indicators to enable users to understand the environment in which the government operates.
- **Operating Information** – Schedules which contain service and program data to help users understand how the information contained in the government's financial report relates to the governmental activities performed.

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The Nation implemented GASB 34 in 2002; schedules presenting government-wide information include information beginning in that year.



**CHEROKEE NATION**

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

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>Governmental Activities</b>										
Invested in capital assets, net of related debt	\$ 36,077	\$ 39,942	\$ 42,927	\$ 26,714	\$ 25,655	\$ 29,403	\$ 35,969	\$ 47,627	\$ 53,781	\$ 62,021
Restricted	25,930	30,023	42,406	41,483	20,421	20,691	16,822	23,250	26,278	36,739
Unrestricted	(308)	2,498	(2,883)	1,133	53,444	65,566	66,627	69,039	83,373	87,255
<b>Total governmental activities net assets</b>	<u>61,699</u>	<u>72,463</u>	<u>82,450</u>	<u>69,330</u>	<u>99,520</u>	<u>115,660</u>	<u>119,418</u>	<u>139,916</u>	<u>163,432</u>	<u>186,015</u>
<b>Business-type activities</b>										
Invested in capital assets, net of related debt	3,263	3,406	3,289	3,460	4,839	4,388	5,519	4,653	162	204
Restricted	-	-	-	414	-	-	-	-	-	310
Unrestricted	(2,308)	(2,152)	(1,436)	361	(372)	(685)	(361)	420	1,072	2,029
<b>Total business-type activities net assets</b>	<u>955</u>	<u>1,254</u>	<u>1,853</u>	<u>4,235</u>	<u>4,467</u>	<u>3,703</u>	<u>5,158</u>	<u>5,073</u>	<u>1,234</u>	<u>2,543</u>
<b>Primary government</b>										
Invested in capital assets, net of related debt	39,340	43,348	46,216	30,174	30,494	33,791	41,488	52,280	53,943	62,225
Restricted	25,930	30,023	42,406	41,897	20,421	20,691	16,822	23,250	26,278	37,049
Unrestricted	(2,616)	346	(4,319)	1,494	53,072	64,881	66,266	69,459	84,445	89,284
<b>Total primary government net assets</b>	<u>\$ 62,654</u>	<u>\$ 73,717</u>	<u>\$ 84,303</u>	<u>\$ 73,565</u>	<u>\$103,987</u>	<u>\$119,363</u>	<u>\$124,576</u>	<u>\$144,989</u>	<u>\$164,666</u>	<u>\$188,558</u>

2002 through 2008 revenues are not comparable to 2001 and prior years due to the adoption of GASB 34.

**CHEROKEE NATION**

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

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>Expenses</b>										
<b>Governmental activities</b>										
Tribal Government	\$ 9,147	\$ 10,334	\$ 15,960	\$ 9,373	\$ 12,075	\$ 13,627	\$ 17,023	\$ 16,433	\$ 21,624	\$ 24,639
Health Services	38,207	41,492	45,889	62,235	67,356	74,995	79,344	87,061	92,163	103,177
Education Services	8,367	7,668	8,131	29,120	32,423	37,901	33,429	36,588	39,096	40,365
Human Services	17,154	18,600	25,001	25,203	24,671	24,160	24,824	27,307	28,962	37,003
Community Services	-	-	-	45,478	51,252	35,163	35,060	42,867	49,131	51,693
Other Tribal Services	35,433	35,290	53,134	5,431	8,750	11,193	10,623	12,712	15,650	15,033
Interest on long term debt	339	299	299	235	689	970	1,651	1,975	3,044	1,503
<b>Total governmental activities expenses</b>	<b>108,647</b>	<b>113,683</b>	<b>148,414</b>	<b>177,075</b>	<b>197,216</b>	<b>193,009</b>	<b>201,954</b>	<b>224,943</b>	<b>249,670</b>	<b>273,413</b>
<b>Business type activities</b>										
Title VI	-	-	-	-	-	-	-	-	-	1,458
Tsa-La-Gi Apartments	358	347	407	418	359	356	352	390	388	394
Cherokee Trails Golf Club	204	187	153	170	192	39	-	-	-	-
Landfill Operations	1,029	887	795	1,459	1,982	1,917	2,252	1,794	2,853	2,292
EDTA	-	-	-	-	-	-	127	182	139	373
Ranch Operations	157	161	199	169	52	6	-	-	-	-
Child Development	-	-	884	1,091	1,358	1,235	1,048	-	-	-
Other Enterprises	262	198	2	3	1	-	15	7	18	-
<b>Total business type activities expenses</b>	<b>2,010</b>	<b>1,780</b>	<b>2,440</b>	<b>3,310</b>	<b>3,944</b>	<b>3,553</b>	<b>3,794</b>	<b>2,373</b>	<b>3,396</b>	<b>4,517</b>
<b>Total primary government expenses</b>	<b>\$ 110,657</b>	<b>\$ 115,463</b>	<b>\$ 150,854</b>	<b>\$ 180,385</b>	<b>\$ 201,160</b>	<b>\$ 196,562</b>	<b>\$ 205,748</b>	<b>\$ 227,316</b>	<b>\$ 253,068</b>	<b>\$ 277,930</b>
<b>Program Revenues</b>										
<b>Governmental activities</b>										
Charges for services	-	-	-	-	-	-	-	-	4	-
Tribal Government	-	-	-	-	-	-	-	-	-	1,120
Community Services	-	-	-	-	-	-	-	-	-	3,300
Other Tribal Services	2,851	2,119	1,730	451	405	1,237	2,001	2,572	2,938	127,323
Operating grants and contributions	86,360	91,174	120,105	103,642	113,394	100,209	104,278	108,177	128,822	127,323
Capital grants and contributions	-	-	-	-	-	-	-	411	142	86
<b>Total governmental activities program revenues</b>	<b>89,211</b>	<b>93,293</b>	<b>121,835</b>	<b>104,093</b>	<b>113,799</b>	<b>101,446</b>	<b>106,279</b>	<b>111,160</b>	<b>131,906</b>	<b>131,829</b>
<b>Business type activities</b>										
Charges for services	-	-	-	-	-	-	-	-	-	1,303
Title VI	-	-	-	-	-	-	-	-	-	525
Tsa-La-Gi Apartments	333	344	345	392	384	437	475	492	498	525
Cherokee Trails Golf Club	128	147	103	84	70	6	-	-	-	-
Landfill Operations	1,062	1,277	1,483	2,327	2,109	1,355	1,937	1,216	2,044	1,126
EDTA	-	-	-	-	-	-	14	23	13	195
Ranch Operations	189	146	184	165	32	-	-	-	-	-
Child Development Centers	-	-	430	1,118	1,354	1,237	766	-	-	-
Other Enterprises	118	92	14	11	12	10	-	6	7	-
Operating grants and contributions	-	-	-	-	-	-	104	119	-	-
<b>Total business type activities program revenues</b>	<b>1,830</b>	<b>2,006</b>	<b>2,559</b>	<b>4,097</b>	<b>3,961</b>	<b>3,045</b>	<b>3,296</b>	<b>1,856</b>	<b>2,562</b>	<b>3,149</b>
<b>Total primary government program revenues</b>	<b>\$ 91,041</b>	<b>\$ 95,299</b>	<b>\$ 124,394</b>	<b>\$ 108,190</b>	<b>\$ 117,760</b>	<b>\$ 104,491</b>	<b>\$ 109,575</b>	<b>\$ 113,016</b>	<b>\$ 134,468</b>	<b>\$ 134,978</b>
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (19,436)	\$ (20,390)	\$ (26,579)	\$ (72,982)	\$ (83,417)	\$ (91,563)	\$ (95,675)	\$ (113,783)	\$ (117,764)	\$ (141,584)
Business type activities	(180)	226	119	787	17	(508)	(498)	(517)	(835)	(1,368)
<b>Total primary government net expense</b>	<b>\$ (19,616)</b>	<b>\$ (20,164)</b>	<b>\$ (26,460)</b>	<b>\$ (72,195)</b>	<b>\$ (83,400)</b>	<b>\$ (92,071)</b>	<b>\$ (96,173)</b>	<b>\$ (114,300)</b>	<b>\$ (118,600)</b>	<b>\$ (142,952)</b>
<b>General Revenues and Other Changes in Net Assets</b>										
<b>Governmental activities</b>										
Motor fuel tax	6,932	7,118	6,895	7,294	7,468	7,576	8,094	7,406	7,228	7,088
Motor vehicle tax	-	-	-	3,342	4,961	5,929	6,382	7,188	7,658	8,161
Tobacco tax	1,508	1,527	1,688	1,890	2,052	2,142	3,133	7,063	6,956	6,254
Gaming tax and licenses	224	378	348	480	611	262	-	-	-	-
Sales tax	40	35	46	75	310	249	686	1,144	1,215	1,208
Grants and contributions not restricted to specific programs	-	-	-	58,236	66,249	65,223	62,015	78,849	76,989	100,355
Unrestricted investment earnings	1,812	2,538	3,256	1,793	1,563	1,588	3,011	5,941	7,631	5,439
Indirect cost settlement	-	-	4,377	254	646	11,634	-	-	-	-
Dividends from component units	2,410	4,100	4,300	4,050	8,725	11,717	17,919	25,444	33,669	35,001
Arkansas River Drybed Lands Settlement	-	-	-	-	20,000	-	-	-	-	-
Miscellaneous revenue	4,468	4,929	5,081	634	1,144	1,232	898	1,199	1,375	2,222
Equity interest in joint venture	-	-	-	-	-	-	184	-	-	-
Gain/(loss) on disposals	-	-	-	-	-	1	-	-	-	-
Transfers	416	-	(454)	(1,589)	(122)	150	(2,899)	43	(1,441)	(1,561)
<b>Total governmental activities</b>	<b>17,810</b>	<b>20,625</b>	<b>25,517</b>	<b>76,459</b>	<b>113,607</b>	<b>107,703</b>	<b>99,433</b>	<b>134,277</b>	<b>141,280</b>	<b>164,167</b>
<b>Business type activities</b>										
Unrestricted investment earnings	6	73	26	6	61	19	52	334	393	72
Miscellaneous revenue	-	-	-	-	-	-	-	69	81	-
Gain/(loss) on disposals	-	-	-	-	32	(125)	-	72	-	1,044
Special item	-	-	-	-	-	-	-	-	(4,918)	-
Transfers	(416)	-	454	1,589	122	(150)	1,901	(43)	1,441	1,561
<b>Total business type activities</b>	<b>(410)</b>	<b>73</b>	<b>480</b>	<b>1,595</b>	<b>215</b>	<b>(256)</b>	<b>1,953</b>	<b>432</b>	<b>(3,003)</b>	<b>2,677</b>
<b>Total primary government</b>	<b>\$ 17,400</b>	<b>\$ 20,698</b>	<b>\$ 25,997</b>	<b>\$ 78,054</b>	<b>\$ 113,822</b>	<b>\$ 107,447</b>	<b>\$ 101,386</b>	<b>\$ 134,709</b>	<b>\$ 138,277</b>	<b>\$ 166,844</b>
<b>Change in Net Assets</b>										
Governmental activities	\$ (1,626)	\$ 235	\$ (1,062)	\$ 3,477	\$ 30,190	\$ 16,140	\$ 3,758	\$ 20,494	\$ 23,516	\$ 22,583
Business type activities	(590)	299	599	2,382	232	(764)	1,455	(85)	(3,839)	1,309
<b>Total primary government</b>	<b>\$ (2,216)</b>	<b>\$ 534</b>	<b>\$ (463)</b>	<b>\$ 5,859</b>	<b>\$ 30,422</b>	<b>\$ 15,376</b>	<b>\$ 5,213</b>	<b>\$ 20,409</b>	<b>\$ 19,677</b>	<b>\$ 23,892</b>

2002 through 2008 revenues are not comparable to 2001 and prior years due to the adoption of GA-SB 34

## CHEROKEE NATION

### GOVERNMENTAL ACTIVITIES - TAX REVENUES BY SOURCE

#### LAST TEN FISCAL YEARS

(Dollars in Thousands)

---

<u>Year</u>	<u>Motor Fuel Tax</u>	<u>Motor Vehicle Tax</u>	<u>Tobacco Tax</u>	<u>Sales Tax</u>	<u>Total</u>
2008	\$ 7,088	\$ 8,161	\$ 6,254	\$ 1,208	\$ 22,711
2007	7,228	7,658	6,956	1,215	23,057
2006	7,406	7,188	7,063	1,144	22,801
2005	8,094	6,382	3,133	686	18,295
2004	7,576	5,929	2,142	249	15,896
2003	7,468	4,961	2,052	310	14,791
2002	7,294	3,342	1,890	75	12,601
2001	6,895	-	1,668	46	8,609
2000	7,118	-	1,527	35	8,680
1999	6,932	-	1,508	40	8,480

2002 through 2008 revenues are not comparable to 2001 and prior years due to the adoption of GASB 34.

CHEROKEE NATION

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

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Fund										
Reserved	\$ 12,343	\$ 13,211	\$ 21,924	\$ 25,781	\$ 30,535	\$ 33,287	\$ 34,792	\$ 36,282	\$ 42,220	\$ 50,241
Unreserved	(308)	2,498	(2,883)	1,501	4,638	10,726	24,175	36,576	38,861	34,652
Total general fund	<u>\$ 12,035</u>	<u>\$ 15,709</u>	<u>\$ 19,041</u>	<u>\$ 27,282</u>	<u>\$ 35,173</u>	<u>\$ 44,013</u>	<u>\$ 58,967</u>	<u>\$ 72,858</u>	<u>\$ 81,081</u>	<u>\$ 84,893</u>
All Other Governmental Funds										
Reserved	\$ 13,587	\$ 16,812	\$ 20,482	\$ 15,702	\$ 16,696	\$ 21,372	\$ 21,696	\$ 24,572	\$ 41,018	\$ 32,896
Unreserved, reported in										
Special revenue funds	-	-	-	-	-	583	583	-	-	-
Capital projects fund	-	-	-	-	-	-	-	(524)	-	-
Total all other governmental funds	<u>\$ 13,587</u>	<u>\$ 16,812</u>	<u>\$ 20,482</u>	<u>\$ 15,702</u>	<u>\$ 16,696</u>	<u>\$ 21,955</u>	<u>\$ 22,279</u>	<u>\$ 24,048</u>	<u>\$ 41,018</u>	<u>\$ 32,896</u>

2002 through 2008 revenues are not comparable to 2001 and prior years due to the adoption of GASB 34.

**CHEROKEE NATION**

**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS**

**LAST TEN FISCAL YEARS (Dollars in Thousands)**

*(modified accrual basis of accounting)*

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>Revenues</b>										
Intergovernmental	\$ 86,360	\$ 91,174	\$ 120,105	\$ 151,117	\$ 167,594	\$ 150,516	\$ 147,048	\$ 166,252	\$ 178,508	\$ 203,570
Property rentals	1,977	1,647	2,279	451	394	585	461	513	575	1,750
Motor fuel tax revenues	6,932	7,118	6,895	7,294	7,468	7,576	8,676	7,406	7,228	7,088
Tax and license revenues	1,772	1,940	2,062	5,788	7,934	9,234	11,741	17,458	18,196	18,292
Interest	1,818	2,611	3,285	2,145	2,320	3,480	5,238	9,651	13,229	7,189
Trust fund income	18	11	47	29	24	90	79	104	67	190
Indirect cost settlement	-	-	4,377	254	-	646	8,314	2,201	-	-
Dividends from component units	-	-	-	4,050	8,725	11,717	17,919	25,444	33,669	35,001
Health 3rd party revenues	-	-	-	-	-	-	-	-	16,031	17,441
Other	9,615	11,533	11,432	11,011	11,773	19,916	27,185	22,202	14,095	7,006
<b>Total revenues</b>	<b>108,492</b>	<b>116,034</b>	<b>150,482</b>	<b>182,139</b>	<b>206,232</b>	<b>203,760</b>	<b>226,661</b>	<b>251,231</b>	<b>281,598</b>	<b>297,527</b>
<b>Expenditures</b>										
Tribal Government	9,147	10,334	15,960	9,964	10,484	13,645	15,956	15,029	21,377	24,679
Health Services	55,361	60,092	70,890	62,822	66,732	73,248	77,829	84,528	94,478	103,009
Education Services	16,747	15,348	16,716	29,463	31,936	32,158	32,567	35,788	39,618	40,561
Human Services	20,610	20,985	37,048	25,269	24,363	23,748	24,516	26,839	29,238	37,290
Community Services	-	-	-	41,631	61,537	44,486	46,643	42,420	49,318	57,821
Other tribal services	33	50	87	5,309	8,472	9,658	10,834	11,789	15,705	14,640
Debt service										
Principal	431	299	292	313	332	1,272	1,685	3,117	10,912	2,002
Interest	342	328	299	71	454	797	1,472	1,819	2,911	908
Capital outlay	6,009	6,326	7,209	5,289	3,017	1,934	9,659	18,162	26,190	15,436
<b>Total expenditures</b>	<b>108,680</b>	<b>113,762</b>	<b>148,501</b>	<b>180,131</b>	<b>207,327</b>	<b>200,946</b>	<b>221,161</b>	<b>239,491</b>	<b>289,747</b>	<b>296,346</b>
Excess of revenues over (under) expenditures	(188)	2,272	1,981	2,008	(1,095)	2,814	5,500	11,740	(8,149)	1,181
<b>Other Financing Sources (Uses)</b>										
Issuance of long-term debt	-	-	-	-	10,245	10,189	13,231	4,260	34,660	1,448
Fees associated with debt issuance	-	-	-	-	-	-	-	128	-	-
Insurance recoveries	-	-	-	-	-	-	-	27	8	244
Other proceeds	-	-	-	-	-	976	-	-	-	-
Transfers in	5,054	9,244	6,869	3,703	1,867	2,163	5,900	17,425	20,637	15,549
Transfers out	(2,284)	(4,784)	(2,663)	(8,994)	(2,132)	(2,043)	(9,353)	(17,920)	(21,963)	(22,732)
<b>Total other financing sources (uses)</b>	<b>2,770</b>	<b>4,460</b>	<b>4,206</b>	<b>(5,291)</b>	<b>9,980</b>	<b>11,285</b>	<b>9,778</b>	<b>3,920</b>	<b>33,342</b>	<b>(5,491)</b>
<b>Net change in fund balances</b>	<b>\$ 2,582</b>	<b>\$ 6,732</b>	<b>\$ 6,187</b>	<b>\$ (3,283)</b>	<b>\$ 8,885</b>	<b>\$ 14,099</b>	<b>\$ 15,278</b>	<b>\$ 15,660</b>	<b>\$ 25,193</b>	<b>\$ (4,310)</b>
Debt service as a percentage of noncapital expenditures	0.75%	0.58%	0.42%	0.22%	0.38%	1.04%	1.49%	2.23%	5.24%	1.04%

2002 through 2008 revenues are not comparable to 2001 and prior years due to the adoption of GASB 34

## CHEROKEE NATION

### GOVERNMENTAL ACTIVITIES - MOTOR VEHICLE TAX RECEIPTS LAST SEVEN FISCAL YEARS

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

Source: Cherokee Nation Tax Commission

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

**CHEROKEE NATION**

**GENERAL GOVERNMENTAL REVENUES BY SOURCE (GAAP BASIS)**

LAST TEN FISCAL YEARS (Dollars in Thousands)

Fiscal Year	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Motor Fuel Tax	Motor Vehicle Tax	Other Tax Revenues	Unrestricted Grants & Contributions	Investment Earnings	Dividends from Components	Indirect Cost Settlement	Miscellaneous	Equity Interest in Joint Venture	Gain/(loss) on disposals	Total
2008	\$ 7,569	\$ 127,323	\$ 86	\$ 7,088	\$ 8,161	\$ 7,462	\$ 100,355	\$ 5,511	\$ 35,001	\$ -	\$ 2,222	\$ -	\$ 1,044	\$ 301,822
2007	5,504	128,822	142	7,228	7,658	8,171	76,989	8,024	33,669	-	1,456	-	-	277,663
2006	4,313	108,296	411	7,406	7,188	8,207	78,849	6,275	25,444	-	1,268	-	72	247,729
2005	5,193	104,382	-	8,094	6,382	3,819	62,015	3,063	17,919	-	898	184	-	211,949
2004	4,282	100,209	-	7,576	5,929	2,653	65,223	1,607	11,717	11,634	1,108	-	-	211,938
2003	4,366	113,394	-	7,468	4,961	2,973	66,249	1,624	8,725	646	1,144	-	-	211,550
2002	4,548	103,642	-	7,294	3,342	2,445	58,236	1,799	4,050	254	634	-	-	186,244
2001	4,289	120,105	-	6,895	-	2,062	-	3,282	4,300	4,377	5,081	-	-	150,391
2000	4,125	91,174	-	7,118	-	1,940	-	2,611	4,100	-	4,929	-	-	115,997
1999	4,681	86,360	-	6,932	-	1,772	-	1,818	2,410	-	4,468	-	-	108,441

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

2002 through 2008 revenues are not comparable to 2001 and prior years due to the adoption of GASB 34.

CHEROKEE NATION

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

Years	Tribal Government	Health Services	Education Services	Human Services	Community Services	Other Tribal Services	Interest on Long Term Debt	Tsa-La-Gi Apartments	Cherokee Trails Golf Club	Landfill Operations	Ranch Operations	EDTA	Childhood Development Center	Title VI	Other Enterprises	Total
2008	\$ 24,639	\$103,177	\$ 40,365	\$37,003	\$ 51,693	\$15,033	\$ 1,503	\$ 394	\$ -	\$ 2,292	\$ -	\$ 373	\$ -	\$1,458	\$ -	\$277,930
2007	21,624	92,163	39,096	28,962	49,131	15,650	3,044	388	-	2,853	-	139	-	-	18	253,068
2006	16,433	87,061	36,588	27,307	42,867	12,712	1,975	390	-	1,794	-	182	-	-	7	227,316
2005	17,023	79,344	33,429	24,824	35,060	10,623	1,651	352	-	2,252	-	1,115	1,048	-	15	206,736
2004	13,627	74,995	32,901	24,160	35,163	11,193	970	356	39	1,917	6	-	1,235	-	-	196,562
2003	12,075	67,356	32,423	24,671	51,252	8,750	689	359	192	1,982	52	-	1,358	-	1	201,160
2002	9,373	62,235	29,120	25,203	45,478	5,431	235	418	170	1,459	169	-	1,091	-	3	180,385
2001	15,960	45,889	8,131	25,001	-	53,134	299	407	153	795	199	-	884	-	2	150,854
2000	10,334	41,492	7,668	18,600	-	35,290	299	347	187	887	161	-	-	-	198	115,463
1999	9,147	38,207	8,367	17,154	-	35,433	339	358	204	1,029	157	-	-	-	262	110,657

2002 through 2008 expenses are not comparable to 2001 and prior years due to the adoption of GASB 34.



# CHEROKEE NATION

## OUTSTANDING DEBT BY TYPE LAST TEN FISCAL YEARS (Dollars in Thousands)

Fiscal Year	Governmental Activities			Business-Type Activities		Total Primary Government	Percentage of Personal Income*	Per each one*
	Bonds	Term Loans	Capital Leases	Term Loans	Capital Leases			
2008	\$ 28,460	\$ 2,564	\$ 1,821	\$ 26,403	\$ -	\$ 59,248	1.75%	\$ 513
2007	30,000	29,529	225	3,211	209	63,174	2.04%	\$ 572
2006	-	36,258	600	3,352	295	40,505	1.43%	\$ 383
2005	-	35,446	439	1,777	653	38,315	1.48%	\$ 372
2004	-	25,331	523	849	368	27,071	1.12%	\$ 267
2003	-	16,284	-	1,017	458	17,759	0.79%	\$ 178
2002	-	3,514	-	902	298	4,714	0.21%	\$ 47
2001	-	3,547	-	995	411	4,953	0.22%	\$ 48
2000	-	3,839	-	1,092	286	5,217	0.25%	\$ 52
1999	-	4,138	-	1,184	445	5,767	0.30%	\$ 48

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

2002 through 2008 revenues are not comparable to 2001 and prior years due to the adoption of GASB 34.

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

# CHEROKEE NATION

## PLEDGED-REVENUE COVERAGE

LAST TWO FISCAL YEARS (Dollars in Thousands)

Fiscal Year	Health Revenue Bonds						
	Beginning Fund Balance	Operating Revenues	Less: Operating Expenses	Ending Fund Balance	Debt Service		Coverage
					Principal	Interest	
2008	\$ 5,189	\$ 90,045	\$ 81,220	\$ 14,014	\$ 1,540	\$ 1,279	4.97
2007	7,697	74,750	77,258	5,189	-	582	8.92

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

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

# CHEROKEE NATION

## DEMOGRAPHIC AND ECONOMIC STATISTICS LAST TEN FISCAL YEARS

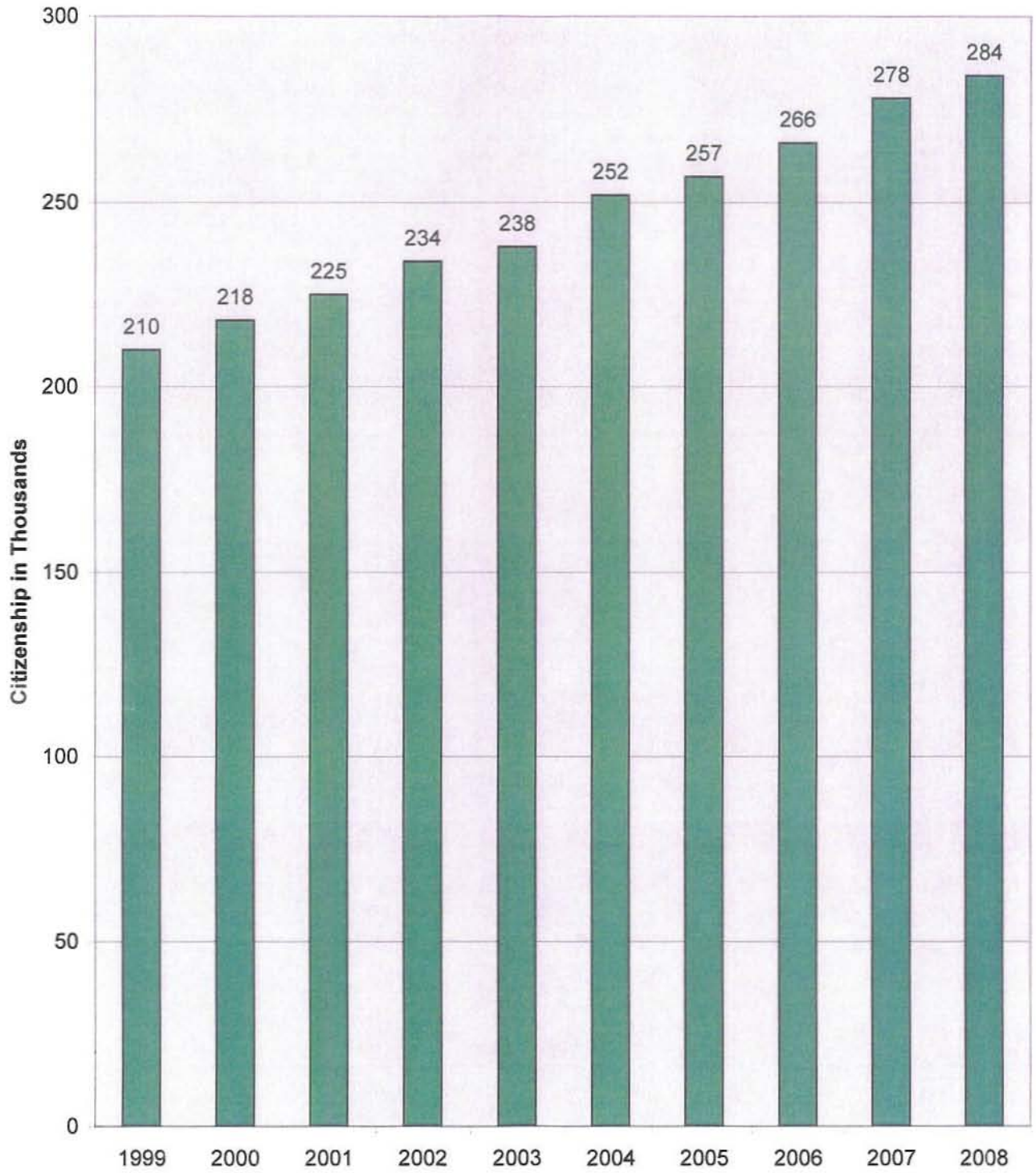
Year	Population**	Personal Income*** (Dollars in Thousands)	Per Each One Personal Income****	Unemployment Rate*****
2008 *	1,134,098	\$ 3,392,628	\$ 29,350	3.8
2007	1,122,869	3,097,833	28,034	4.3
2006	1,108,570	2,829,313	26,782	4.3
2005	1,094,425	2,584,685	25,116	4.5
2004	1,088,279	2,422,702	23,898	4.8
2003	1,086,370	2,235,993	22,385	5.6
2002	1,082,197	2,216,549	22,184	4.9
2001	1,074,339	2,255,719	22,059	4.0
2000	1,067,979	2,081,419	20,882	3.2
1999	1,059,500	1,930,916	16,001	3.4

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:

- \* 2008 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  
Tribal Citizenship Growth**



Source: Tribal Registration Department

## CHEROKEE NATION

### TRIBAL CITIZENSHIP BY DISTRICT LAST TEN FISCAL YEARS

District	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Cherokee	12,552	13,019	13,442	13,909	14,610	15,218	15,706	16,116	16,759	17,242
Craig	5,410	5,620	5,802	5,933	6,140	6,434	6,626	6,868	6,998	7,086
Delaware	10,436	10,698	10,992	11,311	11,693	12,189	12,565	12,879	13,117	10,098
Keeler	9,690	10,156	10,533	10,907	11,446	12,074	12,479	13,158	13,527	13,834
Mayes	8,183	8,493	8,815	9,091	9,575	10,025	10,360	10,605	10,922	11,113
Sequoyah	10,088	10,446	10,784	11,095	11,525	11,986	12,274	12,591	12,868	13,088
Three Rivers	11,510	12,078	12,534	12,962	13,577	14,142	14,510	15,021	15,336	15,564
Trail of Tears	8,900	9,250	9,521	9,795	10,294	10,737	11,083	11,376	11,666	12,054
Will Rogers	8,198	8,479	8,741	8,993	9,350	9,868	10,259	10,666	11,009	8,105
Other	124,586	129,315	134,123	139,688	139,950	149,016	150,681	157,181	166,089	176,229
<b>Total Citizenship</b>	<b>209,553</b>	<b>217,554</b>	<b>225,287</b>	<b>233,684</b>	<b>238,160</b>	<b>251,689</b>	<b>256,543</b>	<b>266,461</b>	<b>278,291</b>	<b>284,413</b>

# CHEROKEE NATION

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

County	Tribal Land	Government Land	Restricted Individual	Total Acres
<u>Cherokee Nation:</u>				
Oklahoma:				
Adair	14,327	19	10,411	24,757
Cherokee	1,215	325	9,439	10,979
Craig	327	-	1,843	2,170
Delaware	24,167	10	6,503	30,680
McIntosh	-	-	596	596
Mayes	373	10	5,364	5,747
Muskogee	500	-	2,342	2,842
Nowata	31	-	610	641
Ottawa	-	-	79	79
Rogers	528	10	801	1,339
Sequoyah	2,406	46	5,623	8,075
Tulsa	3	-	204	207
Wagoner	-	-	225	225
Washington	-	-	1,719	1,719
Arkansas Riverbed	14,715	-	-	14,715
<u>Counties Outside Territorial Boundaries:</u>				
Oklahoma:				
Kay	4,230	-	-	4,230
Atoka	10	-	-	10
Choctaw	40	-	-	40
Pittsburg	10	-	-	10
Stephens	80	-	-	80
Texas:				
Red River	630	-	-	630
Dallas	5	-	-	5
Total	<u>63,595</u>	<u>419</u>	<u>45,759</u>	<u>109,773</u>

Source: Cherokee Nation Land Department

## CHEROKEE NATION

### PRIMARY GOVERNMENT EMPLOYEES BY FUNCTION LAST TEN FISCAL YEARS Regular full-time employees only

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>Function:</b>										
Tribal Government	145	192	211	246	277	232	230	230	238	259
Health Services	404	449	484	572	579	629	627	639	640	726
Education Services	225	248	266	316	344	393	399	391	387	408
Human Services	125	150	170	206	222	234	251	249	276	291
Community Services	177	186	218	191	120	128	127	182	163	329
Other Tribal Services	116	133	158	178	195	213	236	226	243	241
<b>Total</b>	<u>1,192</u>	<u>1,358</u>	<u>1,507</u>	<u>1,709</u>	<u>1,737</u>	<u>1,829</u>	<u>1,870</u>	<u>1,917</u>	<u>1,947</u>	<u>2,254</u>

Source: Financial Resources

# CHEROKEE NATION

## OPERATING INDICATORS BY FUNCTION LAST SIX FISCAL YEARS (Dollars in Thousands)

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

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 SIX FISCAL YEARS  
(Net of Depreciation, Dollars in Thousands)**

	2003	2004	2005	2006	2007	2008
<b>Governmental activities:</b>						
Tribal Government	\$ 2,232	\$ 3,068	\$ 2,520	\$ 2,969	\$ 2,424	\$ 3,013
Health Services	1,911	1,847	2,197	12,883 *	33,898	41,238
Education Services	619	578	1,098	8,246 *	8,885	9,479
Human Services	534	436	328	242	396	571
Community Services	834	842	1,035	1,384	2,189	3,264
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>
<b>Business -type activities:</b>						
Enterprise Funds	\$ 6,314	\$ 5,605	\$ 6,851	\$ 6,761	\$ 900 *	\$ 599
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>

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

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

Note: Information prior to FY 2003 isn't available for comparison.

**CHEROKEE NATION**

**CHEROKEE STUDENTS BY DISTRICT  
LAST SEVEN FISCAL YEARS\***

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

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

Source: MVT apportionment