

**SAINT REGIS MOHAWK TRIBE**  
**Financial and Compliance Audit Report**  
**Year Ended December 31, 2007**

**JOSEPH EVE GROUP**  
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# SAINT REGIS MOHAWK TRIBE

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# JOSEPH EVE GROUP

Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

**Honorable Tribal Council  
Saint Regis Mohawk Tribe  
Akwesasne, New York**

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Saint Regis Mohawk Tribe, as of and for the year ended December 31, 2007, which collectively comprise the Tribe's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the Tribe'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 Akwesasne Housing Authority, a blended component unit of the Tribe, which statements reflect total assets and revenues constituting 39 percent and 1 percent, respectively, of the business-type activities. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Akwesasne Housing Authority, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Te wá tha hón:ni Corporation, Mohawk Bingo Palace, and Akwesasne Mohawk Casino 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 provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Saint Regis Mohawk Tribe as of December 31, 2007, 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.

The management's discussion and analysis and budgetary comparison information on pages 6 through 18 and 59, respectively, are not a required part of the financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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.

**Saint Regis Mohawk Tribe  
Independent Auditors' Report  
Page 2**

In accordance with *Government Auditing Standards*, we have also issued a report dated September 15, 2008 on our consideration of the Tribe's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Tribe's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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.

JOSEPH EVE GROUP  
Certified Public Accountants

**Great Falls, Montana  
September 15, 2008**

## **Management's Discussion and Analysis**

## **SAINT REGIS MOHAWK TRIBE**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Year Ended December 31, 2007**

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The management's discussion and analysis section that is presented herein reviews the Saint Regis Mohawk Tribe's (the "Tribe") annual financial reports and provides a discussion and analysis of the Tribe's financial performance during the fiscal year ended December 31, 2007. The intent of this discussion and analysis is to look at the Tribe's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Tribe's financial performance.

This report is prepared in accordance with Government Accounting Standards Board (GASB) Statement No. 34. The adherence to this reporting standard is meant to allow greater financial comparability and uniformity in the financial reporting of all Government entities including Native American Indian Tribes.

#### **Financial Highlights**

Key financial highlights for 2007 and 2006 are as follows:

- The Tribe's financial status continues to be fiscally stable. As of December 31, 2007 and 2006, net assets were 40% and 41% of total assets respectively.
- During the year, the Tribe's total net assets increased by \$5,922,753, a 15% increase. Net assets of government activities increased by \$10,270,892 mainly due to increased transfers from the gaming enterprises to fund predevelopment expenses and business-type activities decreased by \$4,348,139 mainly attributed to a prior period adjustment recorded by the Akwesasne Housing Authority and an increased liability to the New York State Police.
- For the years ended December 31, 2007 and 2006, overall government-wide revenues were \$130,873,369 and \$114,122,605, respectively. The increased revenues in 2007 were a result of increased business at the Akwesasne Mohawk Casino and Mohawk Bingo Palace.
- For the years ended December 31, 2007 and 2006, overall government-wide expenditures were \$117,828,238 and \$120,173,855 respectively. Expenses of the Tribe's government activities were \$38,956,935 and \$40,940,821 for the years ended December 31, 2007 and 2006 respectively.
- Business-type activities had revenues of \$81,645,542 compared with expenses of \$78,871,303. Revenues exceeded expenses this year by \$2,774,239. This gain is primarily due to the increased revenues at the Akwesasne Mohawk Casino and Mohawk Bingo Palace of \$15,281,440 and debt cancellation related to the Monticello gaming project offset by increased transfers to related entities of \$8,899,000 and increased expenses of \$11,741,857.

## SAINT REGIS MOHAWK TRIBE

### MANAGEMENT'S DISCUSSION AND ANALYSIS Year Ended December 31, 2007

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#### Capital Projects

- The Tribe is continuing the construction of a new waterline that will dramatically improve the Tribe's water system and overall infrastructure. The first 6 phases are complete and phase 7 has commenced in 2007. Completion date is scheduled for September 2008.
- Future Tribe capital projects will continue to concentrate on completing key road improvements and the upgrade of the sewer and solid waste disposal facility on the Saint Regis Mohawk Tribe Reservation, as well as an upgrade to the water treatment plant to increase capacity for future expansion.

In 2007 the Casino increased the slot machine count to 1,130. In addition, a \$60 million dollar expansion of the facility was approved with construction beginning in November 2007 and a completion date of late spring 2009. This will increase the machine count to 2,000 and increase the food and beverage capacity to approximately 600 seats.

#### Overview of Financial Statements

This annual report consists of four parts: management's discussion and analysis (this section), the basic financial statements, required supplementary information, and an optional section that presents combining statements for non-major governmental funds. The basic financial statements include two kinds of statements that present different views of the Tribe:

- The first two statements are *Tribe-wide financial statements* that provide both *short-term* and *long-term* information about the Tribe's *overall* financial status.
- The remaining statements are *Fund financial statements* that focus on *individual parts* of the Tribe, reporting the Tribe's operations in *more detail* than the Tribe-wide statements.
- The *Governmental Funds financial statements* tell how basic services such as general government support and other services were financed in the *short-term* as well as what remains for future spending.
- *Proprietary Funds financial statements* offer *short-term* and *long-term* financial information on the Tribe's businesses such as the Mohawk Bingo Palace.
- *Fiduciary Funds financial statements* provide information about the financial relationships in which the Tribe acts solely as a *trustee* or *agent* for the benefit of others.

Table 1 below provides a descriptive overview of the statements contained in this Financial Report. A more detailed description follows the table.



**SAINT REGIS MOHAWK TRIBE**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended December 31, 2007**

**TABLE 1 – FINANCIAL STATEMENT OVERVIEW**

Major Features of Tribe-Wide and Fund Financial Statements				
	Tribe-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Tribe (except fiduciary funds) and the Tribe's component units.	The activities of the Tribe that are not proprietary or fiduciary, such as health and public safety.	Activities the Tribe is operating as businesses: gaming activities, housing.	Instances in which the Tribe is the trustee or agent for someone else's resources, such as education trust funds.
Required financial statements	Statement of net assets Statement of activities.	Balance sheet Statement of revenues, expenditures, and changes in fund balances.	Statement of net assets Statement of revenues, expenses, and changes in net assets Statement of cash flows.	Statement of fiduciary net assets Statement of changes in fiduciary net assets.
Accounting basis and measurement focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.	Accrual accounting and economic resources focus.
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term.	Only assets expected to be used up and liabilities that are due during the year or soon thereafter; no capital assets included.	All assets and liabilities, both financial and capital, and short-term and long-term.	All assets and liabilities, both short-term and long-term.
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and other liabilities when due and payable.	All revenues and expenses during the year, regardless of when cash is received or paid.	All revenues and expenses during the year, regardless of when cash is received or paid.

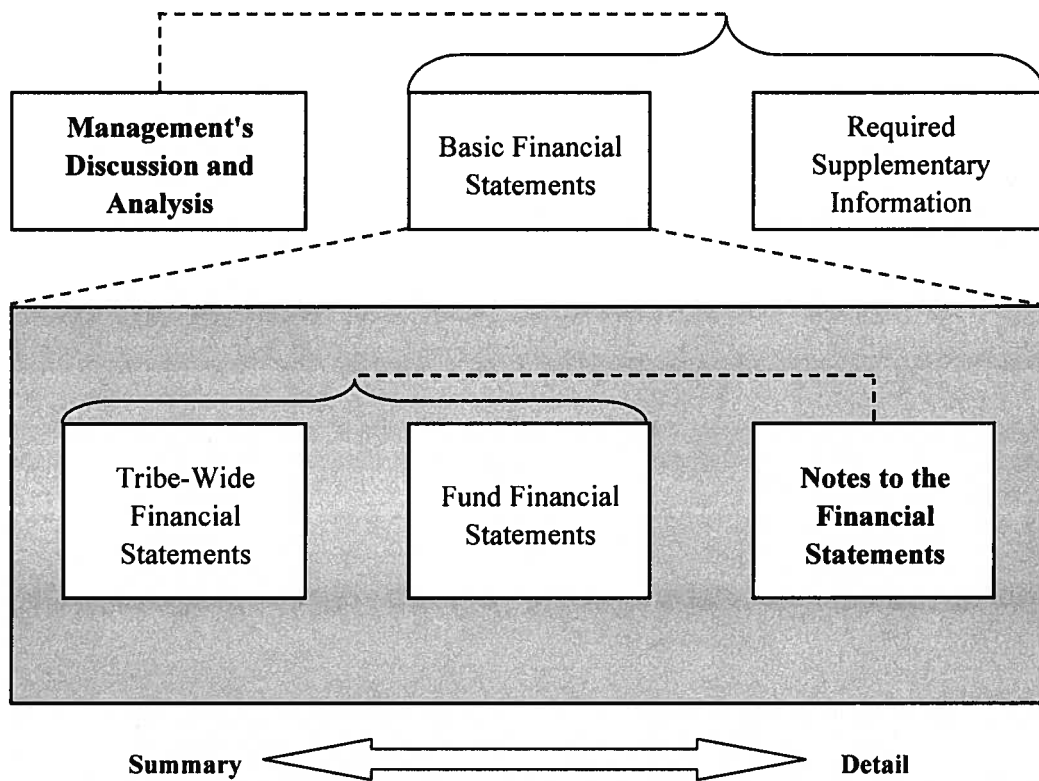
**SAINT REGIS MOHAWK TRIBE**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended December 31, 2007**

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The financial statements also include notes that explain some of the information in the financial statements and provide more detail. The financial statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure 1 shows how the required parts of this annual report are arranged and relate to one another.

**FIGURE 1 – REQUIRED COMPONENTS OF THE TRIBE'S ANNUAL FINANCIAL REPORT**



**Tribe-wide Statements**

The Tribe-wide financial statements are designed to provide readers with a broad overview of the Tribe's finances, in a manner similar to a private-sector business.

## SAINT REGIS MOHAWK TRIBE

### MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2007

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The statement of net assets presents information on all the Tribe's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in the net assets serve as a useful indicator of whether the financial position of the Tribe is improving or deteriorating.

The statement of activities presents information showing how the Tribe's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

In the Statement of Net Assets and the Statement of Activities, the Tribe financial statements are divided into two kinds of activities:

- *Governmental Activities*- Most of the Tribe's basic services are reported here, such as community services, public works, general government, education, public safety, health and human services and economic government. These activities are financed primarily through transfers from business-type activities, fees, investment income, and federal grants.
- *Business-Type Activities*-The Tribe operates businesses in the gaming industry, the Mohawk Bingo Palace and the Akwesasne Mohawk Casino. The Mohawk Bingo Palace is a Class II facility and the Akwesasne Mohawk Casino is a full Class III facility. Additionally, the Tribe operates the Akwesasne Housing Authority which is a tribally designated housing entity under NAHASDA.

## SAINT REGIS MOHAWK TRIBE

### MANAGEMENT'S DISCUSSION AND ANALYSIS Year Ended December 31, 2007

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#### **Fund Financial Statements**

The fund financial statements provide detailed information about the most significant funds-not the Tribe as a whole. The Tribal Council establishes funds by resolution to help it control and manage legal responsibilities for using certain grants and other money. The three fund types-governmental, fiduciary, and proprietary-use different accounting approaches.

- *Governmental Funds*- Most of the Tribe's basic services are reported in governmental funds. Governmental funds focus on how cash and other financial assets flow in and out and the balances that are left at year-end and are available for spending. Consequently, the governmental funds provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Tribe's programs. This information does not encompass the additional long-term focus of the governmental funds statement, or on a subsequent page, that explains the relationship (or differences) between governmental and business-type activities and balances reported in the Statement of Net Assets and the Statement of Activities and governmental funds statements.
- *Proprietary Funds*- When the Tribe charges customers for the services it provides –whether to outside customers, members of the Tribe or to other units of the Tribe-these services are generally reported in proprietary funds, which is reported the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the enterprise funds (a component of proprietary funds) present the same information as the business-type activities reported in the Tribe-wide statements but provide more detail and additional information, such as cash flows. The Tribe uses internal service funds (the other component of proprietary funds) to report activities that provide supplies or services for the Tribe's general activities and a self insurance medical plan which are then allocated to the various tribal units and funds.
- *Fiduciary Funds*- Fiduciary funds are used to account for assets held by the Tribe in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The Tribe has established a *scholarship fund*. This fund was established as a result of a settlement with Reynolds Metals, Inc. These funds, plus investment income, are set aside every year for educational scholarships to members of the Tribe.

#### **A Picture of the Tribe's Financial Condition**

##### **Net Assets**

The Tribe's *combined* net assets as of December 31, 2007 amounted to \$45,386,255. Table 2 provides a summary of the Tribe's net assets as of December 31, 2007. The Tribe's combined net assets increased by \$5,922,753 (15%) during the year. Governmental net assets increased by \$10,270,892 and net assets of business activities decreased by \$4,348,139.

Table 2 summarizes the Tribe's net assets allocated between its governmental and business-type activities:

**SAINT REGIS MOHAWK TRIBE**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Year Ended December 31, 2007**

**TABLE 2 – SCHEDULE OF NET ASSETS**

	2007			2006
	Governmental Activities	Business-Type Activities	Total	Total
Current and other assets	\$ 20,846,376	\$ 33,068,934	\$ 53,915,310	\$ 37,561,853
Capital assets	22,801,806	37,266,671	60,068,477	59,218,560
<b>Total assets</b>	<b>\$ 43,648,182</b>	<b>\$ 70,335,605</b>	<b>\$ 113,983,787</b>	<b>\$ 96,780,413</b>
Long-term debt outstanding	\$ 515,530	\$ 30,681,049	\$ 31,196,579	\$ 35,367,669
Other liabilities	7,728,566	29,672,387	37,400,953	21,949,242
<b>Total liabilities</b>	<b>8,244,096</b>	<b>60,353,436</b>	<b>68,597,532</b>	<b>57,316,911</b>
Net assets (deficit)				
Invested in capital assets, net of related debt	22,168,133	37,266,671	59,434,804	57,989,961
Restricted	1,447,160		1,447,160	
Unrestricted	11,788,793	(27,284,502)	(15,495,709)	(18,526,459)
<b>Total net assets (deficit)</b>	<b>35,404,086</b>	<b>9,982,169</b>	<b>45,386,255</b>	<b>39,463,502</b>
	<b>\$ 43,648,182</b>	<b>\$ 70,335,605</b>	<b>\$ 113,983,787</b>	<b>\$ 96,780,413</b>

**Governmental Activities**

**Revenues/Expenditures**

The Tribe had an increase in revenues in 2007. This increase is directly linked to an increase in its Tribal fees and gaming revenues. Total revenues for the year were \$49,227,827 compared with expenses of \$38,956,935. Table 3 summarizes the Tribe's changes in net assets for the year.

The expenditures for Governmental Activities were \$38,956,935 for 2007. In addition to providing general community service and programs (36% of total expenditures), the Tribe operates a clinic and provides healthcare services to Tribal members which accounts for 26% of total expenditures.

Excess cash investments of the Tribe's business activities are transferred to the general fund so they can be appropriated or invested based on the overall needs of the Tribe and its members. During the year, this resulted in transfers of \$19,311,000 from the Akwesasne Mohawk Casino and the Mohawk Bingo Palace to governmental activities.

Revenues from grants and contracts including capital contributions were \$18,260,087 a decrease of \$3,623,633 from the previous year. This change resulted primarily from a reduction in capital contributions.

Investment income of \$496,483 was higher than the \$251,290 recorded in the previous year. The increased income resulted from higher interest income in the Special Revenue Funds, due to more favorable interest rates as well as higher invested balances.

**SAINT REGIS MOHAWK TRIBE**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Year Ended December 31, 2007**

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**Governmental Activities (Continued)**

**Business-Type Activities**

The Mohawk Bingo Palace had revenues of \$21,103,306 and expenses of \$12,991,752 for a profit of \$8,111,554 before transfers of \$11,810,000 to the General Fund for the year ended December 31, 2007. The increased gaming revenue is attributed mainly to very successful class II video games, as well as increased Bingo play. The management team continues to follow a more aggressive business plan for long term financial stability.

The Akwesasne Mohawk Casino had revenues of \$69,266,269 and expenses of \$58,443,761 for a profit of \$10,822,508 before transfers of \$7,501,000 to the General Fund. 2007 was a transitional year with significant investment in the upgrade of the gaming facilities and machines.

The Akwesasne Housing Authority had revenues of \$2,450,435 and expenses of \$2,641,725 for a loss of \$191,290. During 2007 nine (9) single family dwelling units were conveyed to individual tribal members and construction and modernization activities are ongoing.

SAINT REGIS MOHAWK TRIBE

MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended December 31, 2007

TABLE 3 – CHANGES IN NET ASSETS

	Governmental Activities	2007 Business-Type Activities	Total	Percent
<b>Revenues</b>				
<b>Program</b>				
Gaming	\$	\$ 90,369,575	\$ 90,369,575	69.1
Other charges for services	4,885,756	1,227,943	6,113,699	4.7
Housing Authority		548,809	548,809	0.4
Operating grants and Contributions	17,642,553	1,542,902	19,185,455	14.8
Capital contributions	617,534	-	617,534	0.5
Debt Cancellation		6,757,006	6,757,006	5.2
Investments	496,483	525,307	1,021,790	0.6
Other	2,995,690	(15,000)	2,980,690	2.2
Transfers	19,311,000	(19,311,000)	(0)	0.0
Taxes and fees	3,278,811		3,278,811	2.5
<b>Total revenues</b>	<b>49,227,827</b>	<b>81,645,542</b>	<b>130,873,369</b>	<b>100.00</b>
<b>Expenses</b>				
<b>Primary Government</b>				
Education	1,609,327	-	1,609,327	1.4
Environment	1,671,064	-	1,671,064	1.4
General government	14,488,853	-	14,488,853	12.3
Health	11,982,420	-	11,982,420	10.2
Human services	3,697,327	-	3,697,327	3.2
Public safety	2,193,563	-	2,193,563	1.9
Roads and highways	554,910	-	554,910	0.5
Welfare	1,472,304	-	1,472,304	1.2
Unallocated depreciation expense	885,572	-	885,572	0.7
Other	401,595	78,871,303	79,272,898	67.2
<b>Total expenses</b>	<b>38,956,935</b>	<b>78,871,303</b>	<b>117,828,238</b>	<b>100.00</b>
<b>Increase (decrease) in net assets</b>	<b>\$ 10,270,892</b>	<b>\$ 2,774,239</b>	<b>\$ 13,045,131</b>	

SAINT REGIS MOHAWK TRIBE

MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended December 31, 2007

TABLE 3 – CHANGES IN NET ASSETS (CONTINUED)

Revenues Program	2006		Total	Percent
	Governmental Activities	Business-Type Activities		
Gaming	\$ 0	\$ 75,088,135	\$ 75,088,135	65.8
Other charges for services		696,861	5,414,687	4.7
Housing Authority	4,717,826	688,209	688,209	.6
Operating grants and Contributions	17,322,739	2,501,567	19,824,306	17.4
Capital contributions	4,560,981	0	4,560,981	4.0
Investments	251,290	470,081	721,371	.6
Transfers	10,412,801	(10,412,801)	0	
Taxes and fees	4,170,492		4,170,492	3.7
Other	3,654,424		3,654,424	3.2
<b>Total revenues</b>	<b>45,090,553</b>	<b>69,032,052</b>	<b>114,122,605</b>	<b>100.00</b>
<b>Expenses</b>				
<b>Primary Government</b>				
Education	1,565,320	0	1,565,320	1.3
Environment	1,709,661	0	1,709,661	1.4
General government	12,639,359	0	12,639,359	10.5
Health	11,469,836	0	11,469,836	9.6
Human services	4,237,116	0	4,237,116	3.5
Public safety	1,758,220	0	1,758,220	1.5
Roads and highways	3,383,311	0	3,383,311	2.8
Welfare	1,297,731	0	1,297,731	1.1
Unallocated depreciation expense	805,481	0	805,481	.7
Other	74,786	67,129,446	67,204,232	55.9
Litigation Settlement	2,000,000	12,103,588	14,103,588	11.7
<b>Total expenses</b>	<b>40,940,821</b>	<b>79,233,034</b>	<b>120,173,855</b>	<b>100.00</b>
<b>Increase (decrease) in net assets</b>	<b>\$ 4,149,732</b>	<b>\$ (10,200,982)</b>	<b>\$ (6,051,250)</b>	



**SAINT REGIS MOHAWK TRIBE**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended December 31, 2007**

**General Fund Budgetary Highlights**

The overall budget variance of excess revenues over expenses was unfavorable for the fiscal year by \$543,200

The revenue was over budget by \$2,478,631 (\$312,212 unrestricted revenues, \$719,259 revenues restricted by Council designation, and \$1,447,160 revenues restricted by external parties). The \$312,212 favorable variance is mainly attributed to a change in banking procedures which resulted in increased Investment income of \$81,152 and the inclusion of donations in the form of the Community Partnership Fund in the amount of \$243,391.

Total expenses were under budget by \$1,399,000. This can be attributed to a savings of approximately \$2,450,000 in program match and indirect shortfall, offset by an increase in donations and community events in the amount of \$121,571. It was also decided to set up a bad debt allowance in the amount of \$112,240 in the event that some of our receivables become uncollectible. Due to the increase in fuel costs the Heating Supplement paid to the seniors and disabled exceeded the budgeted figure by \$233,400. The balance is related to the rising cost of health premiums in the amount of \$127,673 and the need to hire new staff which resulted in an increase of \$251,733 over budget.

**Capital Asset and Debt Administration**

**Capital Assets**

At December 31, 2007, the Tribe had \$60,068,477 invested in a broad range of capital assets, including buildings, furniture and equipment, water and sewer lines. Table 4 presents the changes in the Tribe's capital assets compared to last year.

**TABLE 4 – CAPITAL ASSETS**

	Governmental Activities		Business-Type Activities		Totals	
	2007	2006	2007	2006	2007	2006
Land and Improvements	\$ 958,486	\$ 780,386	\$ 2,310,271	\$ 2,324,527	\$ 3,268,757	\$ 3,104,913
Construction in progress	8,698,265	3,927,190	2,827,284	2,625,259	11,525,549	6,552,449
Buildings and improvements	11,652,292	11,542,540	42,224,612	43,442,080	53,876,904	54,984,620
Equipment	1,896,840	1,606,249	714,732	824,952	2,611,572	2,431,201
Vehicles	2,155,689	1,982,419	224,984	279,875	2,380,673	2,262,294
Water system network	4,227,998	4,227,998			4,227,998	4,227,998
Furn. & Equip.			21,975,947	18,992,732	21,975,947	18,992,732
Accumulated Depreciation	(6,787,764)	(5,974,062)	(33,011,159)	(27,363,585)	(39,798,923)	(33,337,647)
Totals	\$ 22,801,806	\$ 18,092,720	\$ 37,266,671	\$ 41,125,840	\$ 60,068,477	\$ 59,218,560

## **SAINT REGIS MOHAWK TRIBE**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS Year Ended December 31, 2007**

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The reduction in Business-Type Activities is a direct result of prior year adjustments to the Akwesasne Housing Authority's books. Projects completed in the year ended December 31, 2006 were conveyed to the St. Regis Mohawk Tribe, but incorrectly, remained on the Authority's books at year end, resulting in an overstatement of fixed assets in the amount of \$2,732,208.

In 2007 Casino expansion costs were recorded as Construction in progress under Government Activities and will be transferred to the Casino in 2008. Anticipated additions in 2008 include the wastewater treatment plant upgrade and the expansion of the sewer lines. Construction of the Raquette road will be started in 2008 but will not be completed until 2009.

#### **Notes Payable and Long-Term Debt**

At year-end, the Tribe had \$31,524,777 in outstanding notes payable and long-term debt compared to \$34,894,001 last year. The main reason for the decrease in the notes payable is due to the normal amortization of \$1.2 million and the debt cancellation of \$6.7 million.

#### **Next Year's Budget and Factors bearing on the Tribe's Future**

The Tribal Council has considered many factors when setting the fiscal year 2008 budget. The most significant factors are the increasing competition for federal and state grants, the change in Tribal fee collections, increased reliance on gaming revenues, the continued deteriorating road infrastructure, and capital needs to complete the water and sewer projects and road upgrades. These were taken into account when adopting the governmental funds and business-type activities budgets.

The 2008 budget is based on December 31, 2007 actual revenues and expenses instead of the prior year budget. Budgeted net income in 2008 is expected to remain fairly constant. The increased budgeted gaming revenues will be offset by a decrease in fee income and the overall expenses are budgeted at close to the same level as 2007 actual.

#### **Contacting the Tribe's Financial Management**

This financial report is designed to provide tribal members, customers, and investors and creditors with a general overview of the Tribe's finances and demonstrates the Tribe's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Tribe's Chief Financial Officer at the Tribal Offices.

Telephone 1-518-358-2272

## **Basic Financial Statements**

**SAINT REGIS MOHAWK TRIBE**

**Statement of Net Assets**

**December 31, 2007**

	<b>Primary Government</b>		<b>Total</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 16,331,085	\$ 28,891,575	\$ 45,222,660
Investments	2,256,514	2,792,010	5,048,524
Inventory		377,972	377,972
Accounts receivable, net	989,515	627,264	1,616,779
Prepaid expenses		261,598	261,598
Due from other governments	1,383,335		1,383,335
Internal balances	(118,515)	118,515	
<b>Total current assets</b>	<u>20,841,934</u>	<u>33,068,934</u>	<u>53,910,868</u>
<b>Noncurrent assets</b>			
Capital assets, net	22,801,806	37,266,671	60,068,477
Other long term assets	4,442		4,442
<b>Total noncurrent assets</b>	<u>22,806,248</u>	<u>37,266,671</u>	<u>60,072,919</u>
<b>Total assets</b>	<u>43,648,182</u>	<u>70,335,605</u>	<u>113,983,787</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable	2,930,881	14,385,436	17,316,317
Accrued liabilities	1,175,785	3,686,763	4,862,548
Gaming liabilities		1,963,507	1,963,507
Deposits payable	250,000	5,200	255,200
Revenue sharing payable		2,694,587	2,694,587
Deferred revenue	3,253,757	5,335,509	8,589,266
Current portion of long-term debt	114,530	1,601,385	1,715,915
Current portion of capital leases	3,613		3,613
<b>Total current liabilities</b>	<u>7,728,566</u>	<u>29,672,387</u>	<u>37,400,953</u>
<b>Noncurrent liabilities</b>			
Notes payable	496,447	29,263,404	29,759,851
Compensated absences		26,315	26,315
Homebuyer escrow		1,391,330	1,391,330
Capital lease obligation	19,083		19,083
<b>Total liabilities</b>	<u>8,244,096</u>	<u>60,353,436</u>	<u>68,597,532</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	22,168,133	37,266,671	59,434,804
Restricted for:			
Community assistance-fuel	1,447,160		1,447,160
Unrestricted	11,788,793	(27,284,502)	(15,495,709)
<b>Total net assets</b>	<u>\$ 35,404,086</u>	<u>\$ 9,982,169</u>	<u>\$ 45,386,255</u>

**SAINT REGIS MOHAWK TRIBE**

**Statement of Activities**

**Year Ended December 31, 2007**

<u>Functions/Programs</u>	<b>Program Revenues</b>			
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Primary government</b>				
Governmental activities				
General government	\$ 14,488,853	\$ 396,396	\$ 3,482,391	\$ 62,500
Public health	11,982,420	2,389,201	8,734,468	
Education	1,609,327		856,672	280,879
Housing	142,605			
Public safety	2,193,563	18,913	785,847	
Human services	3,697,327	2,081,246	852,424	
General welfare	1,472,304		1,050,040	
Roads and highways	554,910		281,285	274,155
Culture and recreation	202,041		62,911	
Environmental management	1,671,064		1,536,515	
Interest on long-term debt	56,949			
Unallocated depreciation	885,572			
Total governmental activities	<u>38,956,935</u>	<u>4,885,756</u>	<u>17,642,553</u>	<u>617,534</u>
Business-type activities				
Mohawk Bingo Palace	12,991,752	21,103,306		
Akwesasne Mohawk Casino	58,443,761	69,266,269		
Akwesasne Housing Authority	2,641,725	548,809	1,542,902	
Other	4,794,065			
Total business-type activities	<u>78,871,303</u>	<u>90,918,384</u>	<u>1,542,902</u>	<u>0</u>
<b>Total primary government</b>	<b>\$ 117,828,238</b>	<b>\$ 95,804,140</b>	<b>\$ 19,185,455</b>	<b>\$ 617,534</b>
<b>General revenues</b>				
Taxes				
Investment income				
Fees and fines				
Licenses and permits				
Rental income				
Foreign currency exchange gains				
Contributed capital assets				
Other				
Special item - debt cancellation				
Transfer to related entity				
Transfers between funds				
Assets transferred from internal service funds				
<b>Total general revenues and transfers</b>				
<b>Change in net assets</b>				
<b>Net assets - beginning of year</b>				
Prior period adjustments				
<b>Net assets - beginning of year, restated</b>				
<b>Net assets - ending</b>				

**Net (Expense) Revenue and Changes in Net Assets**  
**Primary Government**

<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
\$ (10,547,566)		\$ (10,547,566)
(858,751)		(858,751)
(471,776)		(471,776)
(142,605)		(142,605)
(1,388,803)		(1,388,803)
(763,657)		(763,657)
(422,264)		(422,264)
530		530
(139,130)		(139,130)
(134,549)		(134,549)
(56,949)		(56,949)
(885,572)		(885,572)
<u>(15,811,092)</u>		<u>(15,811,092)</u>
	\$ 8,111,554	8,111,554
	10,822,508	10,822,508
	(550,014)	(550,014)
	<u>(4,794,065)</u>	<u>(4,794,065)</u>
<u>0</u>	<u>13,589,983</u>	<u>13,589,983</u>
<u>(15,811,092)</u>	<u>13,589,983</u>	<u>(2,221,109)</u>
2,603,171		2,603,171
496,483	525,307	1,021,790
615,541		615,541
58,799	20,820	79,619
1,300		1,300
	1,207,123	1,207,123
136,745		136,745
2,843,353		2,843,353
	6,757,006	6,757,006
	(15,000)	(15,000)
19,311,000	(19,311,000)	
<u>15,592</u>		<u>15,592</u>
<u>26,081,984</u>	<u>(10,815,744)</u>	<u>15,266,240</u>
<u>10,270,892</u>	<u>2,774,239</u>	<u>13,045,131</u>
25,133,194	14,330,308	39,463,502
	<u>(7,122,378)</u>	<u>(7,122,378)</u>
<u>25,133,194</u>	<u>7,207,930</u>	<u>32,341,124</u>
<u>\$ 35,404,086</u>	<u>\$ 9,982,169</u>	<u>\$ 45,386,255</u>

See accompanying Independent Auditors' Report and Notes to the Financial Statements.

**SAINT REGIS MOHAWK TRIBE**

**Balance Sheet - Governmental Funds**

**December 31, 2007**

	<u>General Fund</u>	<u>Indian Health Services</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 8,747,107	\$ 1,804,967	\$ 3,082,796	\$ 13,634,870
Investments	2,256,514			2,256,514
Accounts receivable, net	442,818		546,697	989,515
Due from other funds	180,674	9,652	799,421	989,747
Due from other governments		3,824	1,379,511	1,383,335
Loan receivable - long term	<u>4,442</u>			<u>4,442</u>
<b>Total assets</b>	<b><u>\$ 11,631,555</u></b>	<b><u>\$ 1,818,443</u></b>	<b><u>\$ 5,808,425</u></b>	<b><u>\$ 19,258,423</u></b>
<b>Liabilities and fund balances</b>				
<b>Current liabilities</b>				
Accounts payable	\$ 142,222	\$ 1,696,333	\$ 747,151	\$ 2,585,706
Accrued liabilities	223,089	122,110	777,684	1,122,883
Due to other funds	1,006,257		102,005	1,108,262
Deposits payable	250,000			250,000
Deferred revenue	<u>24,840</u>		<u>3,228,917</u>	<u>3,253,757</u>
<b>Total liabilities</b>	<b><u>1,646,408</u></b>	<b><u>1,818,443</u></b>	<b><u>4,855,757</u></b>	<b><u>8,320,608</u></b>
<b>Fund balances</b>				
Reserved	2,419,426		952,668	3,372,094
Unreserved	<u>7,565,721</u>			<u>7,565,721</u>
<b>Total fund balances</b>	<b><u>9,985,147</u></b>	<b><u>0</u></b>	<b><u>952,668</u></b>	<b><u>10,937,815</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 11,631,555</u></b>	<b><u>\$ 1,818,443</u></b>	<b><u>\$ 5,808,425</u></b>	<b><u>\$ 19,258,423</u></b>
<b>Total governmental fund balances</b>				\$ 10,937,815
Amounts reported for governmental activities in the statement of net assets are different because capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				22,801,806
Some liabilities, including long-term debt, are not due and payable in the current period and therefore are not reported in the funds.				(633,673)
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the Tribe's internal service funds are included in governmental activities in the statement of net assets.				<u>2,298,138</u>
<b>Net assets - governmental activities, per statement of net assets</b>				<b><u>\$ 35,404,086</u></b>

**SAINT REGIS MOHAWK TRIBE**

**Statement of Revenues, Expenditures and Changes in  
Fund Balance - Governmental Funds**

**Year Ended December 31, 2007**

	<u>General Fund</u>	<u>Indian Health Services</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
Contracts/grant revenue	\$	\$ 7,235,538	\$ 11,024,549	\$ 18,260,087
Taxes	2,603,171			2,603,171
Charges for services	396,396		4,470,958	4,867,354
Investment income	337,864		44,271	382,135
Fees and fines	615,541			615,541
Licenses and permits	58,799			58,799
Rental income	1,300			1,300
Other revenue	<u>1,768,274</u>		<u>1,075,079</u>	<u>2,843,353</u>
<b>Total revenues</b>	<u>5,781,345</u>	<u>7,235,538</u>	<u>16,614,857</u>	<u>29,631,740</u>
<b>Expenditures</b>				
General government	9,169,960		5,298,336	14,468,296
Public health		10,189,423	1,841,531	12,030,954
Education			1,617,664	1,617,664
Housing			143,425	143,425
Public safety			2,207,817	2,207,817
Human services			3,723,722	3,723,722
General welfare			1,477,857	1,477,857
Roads and highways			555,440	555,440
Culture and recreation			203,019	203,019
Environmental management			1,680,155	1,680,155
Debt service				
Principal	72,000	78,318	27,946	178,264
Interest	5,697	39,122	12,130	56,949
Capital outlay	<u>4,625,277</u>	<u>8,875</u>	<u>830,258</u>	<u>5,464,410</u>
<b>Total expenditures</b>	<u>13,872,934</u>	<u>10,315,738</u>	<u>19,619,300</u>	<u>43,807,972</u>
<b>Revenues over (under) expenditures</b>	<u>(8,091,589)</u>	<u>(3,080,200)</u>	<u>(3,004,443)</u>	<u>(14,176,232)</u>
<b>Other financing sources (uses)</b>				
Proceeds from sale of capital assets	526			526
Transfers in/(out)	<u>13,644,633</u>	<u>3,157,047</u>	<u>2,509,320</u>	<u>19,311,000</u>
<b>Total other financing sources (uses)</b>	<u>13,645,159</u>	<u>3,157,047</u>	<u>2,509,320</u>	<u>19,311,526</u>
<b>Net change in fund balances</b>	5,553,570	76,847	(495,123)	5,135,294
<b>Fund balances, beginning of year</b>	<u>4,431,577</u>	<u>(76,847)</u>	<u>1,447,791</u>	<u>5,802,521</u>
<b>Fund balances, end of year</b>	<u>\$ 9,985,147</u>	<u>\$ 0</u>	<u>\$ 952,668</u>	<u>\$ 10,937,815</u>

See accompanying Independent Auditors' Report and Notes to the Financial Statements.



**SAINT REGIS MOHAWK TRIBE**

**Reconciliation of the Statement of Revenues,  
Expenditures and Changes in Fund Balance of  
Governmental Funds to the Statement of Activities**

**Year Ended December 31, 2007**

**Net change in fund balances - governmental funds** \$ 5,135,294

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	5,464,410	
Depreciation expense	<u>(885,572)</u>	
		4,578,838

In the statement of activities, the loss or gain on the sale or disposal of capital assets is recognized. The fund financial statements recognize only the proceeds from the sale of these assets. Thus, the resulting difference is the net book value of the sold or disposed assets. (22,088)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. In the current year, these amounts consist of long-term debt retirement. 178,264

Internal service funds are used by the Tribe to charge the costs of certain activities to the individual funds. The net revenue (expense) of internal service funds applicable to governmental activities is reported with governmental activities in the statement of activities. 248,247

Capital outlays as presented in the fund financial statements do not include the fair market value of capital assets donated during the course of the year. However, in the statement of activities the donation is recognized. 136,745

In the statement of activities, the transfer of capital assets from the internal service funds is reported as a "transfer". This "transfer" is not reported in the fund financial statements because there has been no flow of current financial resources. 15,592

**Change in net assets of governmental activities** \$ 10,270,892

**SAINT REGIS MOHAWK TRIBE**

**Statement of Net Assets - Proprietary Funds**

**December 31, 2007**

	<u>Mohawk Bingo Palace</u>	<u>Mohawk Mountain Casino Project</u>	<u>Akwesasne Mohawk Casino</u>	<u>Akwesasne Housing Authority</u>
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$ 5,025,736	\$	\$ 18,218,166	\$ 5,630,899
Investments				2,792,010
Accounts receivable, net	53,059		559,167	15,038
Prepaid expenses	46,778		50,549	164,271
Inventory	61,118		223,462	93,392
Due from other funds	13,986		361,217	
Total current assets	<u>5,200,677</u>	<u>0</u>	<u>19,412,561</u>	<u>8,695,610</u>
Noncurrent assets				
Capital assets				
Capital assets, net	748,748		17,942,867	18,575,056
Total capital assets	<u>748,748</u>	<u>0</u>	<u>17,942,867</u>	<u>18,575,056</u>
<b>Total assets</b>	<u>5,949,425</u>	<u>0</u>	<u>37,355,428</u>	<u>27,270,666</u>
<b>Liabilities</b>				
Current liabilities				
Accounts payable	438,622		13,664,276	37,004
Accrued expenses	498,850		3,169,582	18,331
Revenue sharing payable			2,694,587	
Gaming liabilities	922,061		1,041,446	
Deposits payable				5,200
Due to other funds	180,068			
Deferred revenue				5,335,509
Current portion of long-term debt			1,600,000	1,385
Total current liabilities	<u>2,039,601</u>	<u>0</u>	<u>22,169,891</u>	<u>5,397,429</u>
Noncurrent liabilities				
Notes payable, net of current portion		23,263,404	6,000,000	
Accrued compensated absences				26,315
Homebuyer escrow				1,391,330
<b>Total liabilities</b>	<u>2,039,601</u>	<u>23,263,404</u>	<u>28,169,891</u>	<u>6,815,074</u>
<b>Net assets (deficit)</b>				
Invested in capital assets, net of related debt	748,748		17,942,867	18,575,056
Unrestricted	3,161,076	(23,263,404)	(8,757,330)	1,880,536
<b>Total net assets</b>	<u>\$ 3,909,824</u>	<u>\$ (23,263,404)</u>	<u>\$ 9,185,537</u>	<u>\$ 20,455,592</u>

<u>Other Proprietary Funds</u>	<u>Total</u>	<u>Internal Service Funds</u>
\$ 16,774	\$ 28,891,575	\$ 2,696,215
	2,792,010	
	627,264	
	261,598	
	377,972	
	<u>375,203</u>	
<u>16,774</u>	<u>33,325,622</u>	<u>2,696,215</u>
	<u>37,266,671</u>	
<u>0</u>	<u>37,266,671</u>	<u>0</u>
<u>16,774</u>	<u>70,592,293</u>	<u>2,696,215</u>
245,534	14,385,436	345,175
	3,686,763	52,902
	2,694,587	
	1,963,507	
	5,200	
76,620	256,688	
	5,335,509	
	<u>1,601,385</u>	
<u>322,154</u>	<u>29,929,075</u>	<u>398,077</u>
	29,263,404	
	26,315	
	<u>1,391,330</u>	
<u>322,154</u>	<u>60,610,124</u>	<u>398,077</u>
	37,266,671	
<u>(305,380)</u>	<u>(27,284,502)</u>	<u>2,298,138</u>
<u>\$ (305,380)</u>	<u>\$ 9,982,169</u>	<u>\$ 2,298,138</u>

See accompanying Independent Auditors' Report and Notes to the Financial Statements.

**SAINT REGIS MOHAWK TRIBE**

**Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Funds**

**Year Ended December 31, 2007**

	<u>Mohawk Bingo Palace</u>	<u>Mohawk Mountain Casino Project</u>	<u>Akwesasne Mohawk Casino</u>
<b>Operating revenues</b>			
Casino gaming	\$ 20,480,720	\$	\$ 63,388,257
Charges for services - internal			
Charges for services - external			
Food and beverage			5,306,148
Gift shop			80,056
Rental income			
Other revenue	<u>622,586</u>		<u>491,808</u>
<b>Gross operating revenues</b>	<u>21,103,306</u>	<u>0</u>	<u>69,266,269</u>
Less: promotional allowances	<u>(272,541)</u>		<u>(3,903,025)</u>
<b>Net operating revenues</b>	<u>20,830,765</u>	<u>0</u>	<u>65,363,244</u>
<b>Operating expenses</b>			
Cost of goods sold	272,271		2,567,008
Insurance claims and expenses			
Housing services			
Casino gaming	5,621,531		15,001,536
General and administrative	6,451,591		19,928,631
Housing operations			
Development costs			
Depreciation and amortization	<u>280,682</u>		<u>6,407,341</u>
<b>Total operating expenses</b>	<u>12,626,075</u>	<u>0</u>	<u>43,904,516</u>
<b>Operating income (loss)</b>	<u>8,204,690</u>	<u>0</u>	<u>21,458,728</u>
<b>Non-operating revenues (expenses)</b>			
State revenue sharing			(10,140,977)
Gain on foreign currency translation	209,431		997,692
(Loss) on disposal of assets	(93,136)		(302,204)
Interest (expense)			(193,039)
Debt cancellation income			
Grant revenue			
Investment income	<u>187,403</u>		
<b>Total non-operating revenues (expenses)</b>	<u>303,698</u>	<u>0</u>	<u>(9,638,528)</u>
<b>Income (loss) before transfers</b>	8,508,388		11,820,200
Transfer to related entity	(15,000)		
Transfers in/(out)	<u>(11,810,000)</u>		<u>(7,501,000)</u>
<b>Change in net assets</b>	(3,316,612)	0	4,319,200
<b>Total net assets, beginning of year</b>	7,226,436	(23,263,404)	4,866,337
Prior period adjustments			
<b>Total net assets, beginning of year, as restated</b>	<u>7,226,436</u>	<u>(23,263,404)</u>	<u>4,866,337</u>
<b>Total net assets, end of year</b>	<u>\$ 3,909,824</u>	<u>\$ (23,263,404)</u>	<u>\$ 9,185,537</u>

<b>Akwesasne Housing Authority</b>	<b>Other Proprietary Funds</b>	<b>Totals</b>	<b>Internal Service Funds</b>
\$	\$	\$ 83,868,977	\$
			5,193,163
			18,401
		5,306,148	
		80,056	
548,809		548,809	
20,820		1,135,214	
<u>569,629</u>	<u>0</u>	<u>90,939,204</u>	<u>5,211,564</u>
		(4,175,566)	
<u>569,629</u>	<u>0</u>	<u>86,763,638</u>	<u>5,211,564</u>
		2,839,279	
			2,332,815
32,836		32,836	
		20,623,067	
298,359	4	26,678,585	2,744,850
986,805		986,805	
	4,794,061	4,794,061	
<u>1,323,725</u>		<u>8,011,748</u>	
<u>2,641,725</u>	<u>4,794,065</u>	<u>63,966,381</u>	<u>5,077,665</u>
<u>(2,072,096)</u>	<u>(4,794,065)</u>	<u>22,797,257</u>	<u>133,899</u>
		(10,140,977)	
		1,207,123	
		(395,340)	
		(193,039)	
	6,757,006	6,757,006	
1,542,902		1,542,902	
<u>337,904</u>		<u>525,307</u>	<u>114,348</u>
<u>1,880,806</u>	<u>6,757,006</u>	<u>(697,018)</u>	<u>114,348</u>
(191,290)	1,962,941	22,100,239	248,247
		(15,000)	
		<u>(19,311,000)</u>	
(191,290)	1,962,941	2,774,239	248,247
27,769,260	(2,268,321)	14,330,308	2,049,891
<u>(7,122,378)</u>		<u>(7,122,378)</u>	<u>0</u>
<u>20,646,882</u>	<u>(2,268,321)</u>	<u>7,207,930</u>	<u>2,049,891</u>
<u>\$ 20,455,592</u>	<u>\$ (305,380)</u>	<u>\$ 9,982,169</u>	<u>\$ 2,298,138</u>

See accompanying Independent Auditors' Report and Notes to the Financial Statements.

**SAINT REGIS MOHAWK TRIBE**

**Statement of Cash Flows  
Proprietary Funds**

**Year Ended December 31, 2007**

	<u>Mohawk Bingo Palace</u>	<u>Mohawk Mountain Casino Project</u>	<u>Akwesasne Mohawk Casino</u>
<b>Cash flows from operating activities</b>			
Cash received from customers for gaming activities	\$ 20,839,405	\$	\$ 65,411,016
Cash received from tenants			
Cash received(paid) for interfund services			
Other cash received			
Cash paid to employees	(4,747,083)		(24,998,483)
Cash paid to suppliers	(7,235,702)		(6,051,384)
Cash paid for housing assistance payments	_____	_____	_____
<b>Net cash provided (used) by operating activities</b>	<u>8,856,620</u>	<u>0</u>	<u>34,361,149</u>
<b>Cash flows from investing activities</b>			
Interest received	187,403		
Gain on foreign exchange	209,431		997,692
<b>Net cash provided (used) by investing activities</b>	<u>396,834</u>	<u>0</u>	<u>997,692</u>
<b>Cash flows from non-capital financing activities</b>			
(Decrease)increase in due to other funds	(8,208)		
(Increase) in due from other funds	(13,986)		(257,758)
Operating grants received			
Net decrease in homebuyer escrow			
Payment of legal settlement			(8,000,000)
Loan proceeds from long-term debt			8,000,000
Principal payments on long-term debt			(816,662)
Cash paid to the state			(9,606,936)
Transfers to related entity	(15,000)		
Operating transfers in/(out)	(11,810,000)		(7,501,000)
<b>Net cash provided (used) for non-capital financing activities</b>	<u>(11,847,194)</u>	<u>0</u>	<u>(18,182,356)</u>
<b>Cash flows from capital and related financing activities</b>			
Purchase of property and equipment	(225,336)		(6,332,561)
Sale of property and equipment			9,713
Interest payments on long-term debt			(148,640)
Homebuyer conveyance revenue			
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(225,336)</u>	<u>0</u>	<u>(6,471,488)</u>
Net increase (decrease) in cash and cash equivalents	(2,819,076)	0	10,704,997
<b>Cash and cash equivalents, beginning of year</b>	<u>7,844,812</u>	<u>0</u>	<u>7,513,169</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 5,025,736</u>	<u>\$ 0</u>	<u>\$ 18,218,166</u>

<u>Akwesasne Housing Authority</u>	<u>Other Proprietary Funds</u>	<u>Totals</u>	<u>Internal Service Funds</u>
\$ 703,090	\$	\$ 86,250,421	\$
		703,090	
20,820		20,820	5,356,528
(740,266)		(30,485,832)	(1,865,716)
(556,297)	(4,383,768)	(18,227,151)	(3,156,825)
<u>(104,657)</u>	<u></u>	<u>(104,657)</u>	<u></u>
<u>(677,310)</u>	<u>(4,383,768)</u>	<u>38,156,691</u>	<u>333,987</u>
221,154		408,557	114,348
<u></u>	<u></u>	<u>1,207,123</u>	<u></u>
<u>221,154</u>	<u>0</u>	<u>1,615,680</u>	<u>114,348</u>
	10,619	2,411	
		(271,744)	
2,322,537		2,322,537	
(127,246)		(127,246)	
		(8,000,000)	
	4,381,013	12,381,013	
		(816,662)	
		(9,606,936)	
		(15,000)	
<u></u>	<u></u>	<u>(19,311,000)</u>	<u></u>
<u>2,195,291</u>	<u>4,391,632</u>	<u>(23,442,627)</u>	<u>0</u>
(36,785)		(6,594,682)	
(825,450)		(815,737)	
147,374		(148,640)	
<u>147,374</u>	<u></u>	<u>147,374</u>	<u></u>
<u>(714,861)</u>	<u>0</u>	<u>(7,411,685)</u>	<u>0</u>
1,024,274	7,864	8,918,059	448,335
<u>4,606,625</u>	<u>8,910</u>	<u>19,973,516</u>	<u>2,247,880</u>
<u>\$ 5,630,899</u>	<u>\$ 16,774</u>	<u>\$ 28,891,575</u>	<u>\$ 2,696,215</u>

See accompanying Independent Auditors' Report and Notes to the Financial Statements.

**SAINT REGIS MOHAWK TRIBE**

**Statement of Cash Flows  
Proprietary Funds - Continued**

**Year Ended December 31, 2007**

	<u>Mohawk Bingo Palace</u>	<u>Mohawk Mountain Casino Project</u>	<u>Akwesasne Mohawk Casino</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>			
Operating income (loss)	\$ 8,204,690		\$ 21,458,728
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	280,682		6,407,341
Loss on disposition			
Changes in working capital components			
(Increase) decrease in due from other funds			
(Increase) decrease in accounts receivable	15,901		227,063
(Increase) decrease in inventory	8,209		42,720
(Increase) decrease in prepaid/other	38,426		76,682
Increase (decrease) in tenant deposits			
Increase (decrease) in accounts payable	118,259		6,278,498
Increase (decrease) in accrued expenses	210,353		49,408
Increase (decrease) in gaming liabilities	<u>(19,900)</u>		<u>(179,291)</u>
<b>Net cash provided (used) by operating activities</b>	<u>\$ 8,856,620</u>	<u>\$ 0</u>	<u>\$ 34,361,149</u>
<b>Noncash investing, capital and financing activities:</b>			
Capital assets acquired with trade-ins			\$ <u>100,000</u>
Write off of debt			\$ <u>0</u>
Write off of payables to IGT			\$ <u>86,071</u>



<u>Akwasasne Housing Authority</u>	<u>Other Proprietary Funds</u>	<u>Totals</u>	<u>Internal Service Funds</u>
\$ (2,072,096)	\$ (4,794,065)	\$ 22,797,257	\$ 133,899
1,323,725		8,011,748	
23,763		23,763	
			144,964
154,881		397,845	
(3,377)		47,552	
(104,132)	164,764	175,740	
(600)		(600)	
(4,706)	245,533	6,637,584	76,553
5,232		264,993	(21,429)
		(199,191)	
<u>\$ (677,310)</u>	<u>\$ (4,383,768)</u>	<u>\$ 38,156,691</u>	<u>\$ 333,987</u>
		<u>\$ 100,000</u>	
	<u>\$ 6,757,006</u>	<u>\$ 6,757,006</u>	
		<u>\$ 86,071</u>	

**SAINT REGIS MOHAWK TRIBE**  
**Statement of Fiduciary Net Assets**  
**December 31, 2007**

<b>Assets</b>	
Cash and cash equivalents	\$ 25,150
Investments	<u>1,637,108</u>
<b>Total assets</b>	<u><u>1,662,258</u></u>
<b>Liabilities</b>	
Accounts payable	71
Accrued liabilities	<u>398</u>
<b>Total liabilities</b>	<u><u>469</u></u>
<b>Net assets</b>	
Held in trust for scholarships	<u><u>\$ 1,661,789</u></u>

**SAINT REGIS MOHAWK TRIBE**

**Statement of Changes in Fiduciary Net Assets**

**Year Ended December 31, 2007**

<b>Additions</b>	
Investment income	\$ <u>110,715</u>
<b>Total additions</b>	<u>110,715</u>
<b>Deductions</b>	
Scholarships	130,675
Administrative expenses	<u>15,805</u>
<b>Total deductions</b>	<u>146,480</u>
<b>Change in net assets held in trust</b>	(35,765)
<b>Net assets - beginning</b>	<u>1,697,554</u>
<b>Net assets - ending</b>	\$ <u><u>1,661,789</u></u>

## **Notes to the Financial Statements**

**SAINT REGIS MOHAWK TRIBE**  
**Notes to the Financial Statements**  
**Year Ended December 31, 2007**

**Note 1 - Summary of Significant Accounting Policies**

**A. Organization**

The Saint Regis Mohawk Tribe (the "Tribe") is a federally recognized Indian tribe located in New York, comprised of approximately 11,065 individual members. The reservation consists of approximately 16,400 acres of land held in trust by the United States government for the benefit of the Tribe. Within certain restrictions imposed by the government, the Tribe has jurisdiction over activities occurring on the reservation and has rights to economic and other benefits resulting from the use of reservation property and resources.

The Tribe is governed by an elected Tribal Council (Council). The Indian Reorganization Act of 1934 and subsequent federal legislation govern the relationship between the Tribe and the United States government. In accordance with its Constitution, the Tribe enacts laws through resolutions of the Council.

The financial activities of the Tribe, its enterprises, and its component units are confidential. The accompanying financial statements and related notes are to be distributed only based on authorization from Council or its designee. Information related to federal grants and contracts required by U.S. Office of Management and Budget Circular A-133 is public information and is available on request from the Tribal Council.

The financial statements of the Tribe conform with accounting principles generally accepted in the United States of America (GAAP) applicable to government units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. GASB statements and interpretations constitute GAAP for governments, including Indian Tribes. As permitted by GASB Statement 20, the Tribe has elected to apply pronouncements of the Financial Accounting Standards Board (FASB) issued subsequent to November 30, 1989, except those conflicting with GASB pronouncements, in the accounting for business-type activities and enterprise funds.

**B. Reporting Entity**

**Legal Entity**

All the entities (funds, enterprises, institutions, agencies, departments, and offices) that are not legally separate are part of the Tribe's primary government for financial reporting purposes. The legal entity includes:

- Governmental and regulatory offices, agencies and departments of the Tribe.
- Enterprises of the Tribe.

The enterprises prepare separate financial statements annually that are available for distribution at the discretion of the Council.

**Component Units**

Component units are legally separate organizations for which the Tribe is financially accountable and/or for which the nature and significance of their relationship with the Tribe is such that exclusion would cause the financial statements to be misleading or incomplete.

**SAINT REGIS MOHAWK TRIBE**  
**Notes to the Financial Statements**  
**Year Ended December 31, 2007**

**Note 1 - Summary of Significant Accounting Policies - Continued**

**B. Reporting Entity - Continued**

**Component Units-Continued**

The Tribe is considered to be financially accountable for an organization when either:

1. The Tribe appoints a voting majority of the organization's governing body and can impose its will on that organization; or
2. There is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Tribe.

Blended component units of the Tribe are:

Te wá tha hón:ni Corporation (including its members LLC's).  
Saint Regis Mohawk Educational and Community Fund, Inc.  
Akwesasne Housing Authority

Te wá tha hón:ni Corporation is a Section 17 federal corporation created to govern the Tribe's business-type activities, which consist presently of Akwesasne Mohawk Casino, Mohawk Bingo Palace, Mohawk Catskill Development and St. Regis Mohawk Builders. The Saint Regis Mohawk Educational and Community Fund is a not-for-profit 501(c)(3) Corporation organized exclusively for the benefit of the Tribe. The Akwesasne Housing Authority is a tribally designated housing entity under NAHASDA and was created to provide low-rent housing for qualified individuals.

**Blended Component Units**

Despite being legally separate, component units that are so intertwined with the primary government that they are, in substance, the same as the primary government are reported as part of the primary government. The criteria used for this determination are:

1. The component unit's governing body is substantively the same as the governing body of the primary government; or
2. The component unit provides services entirely, or almost entirely, to the primary government or otherwise exclusively, or almost exclusively, benefits the primary government by providing services that the primary government would have provided if they were not provided by the component unit.

**Discretely Presented Component Units**

Component units not meeting the criteria for blending with the primary government are discretely presented in the financial statements. Discrete presentation entails reporting component unit financial data in a column separate from the financial data of the Tribe's primary government.

**C. Basis of Presentation**

**Basic Financial Statements**

The basic financial statements of the Tribe include the Tribe-wide and the fund financial statements. The focus is on the Tribe as a whole in the Tribe-wide financial statements, while reporting additional and detailed information about the Tribe's major governmental and business-type activities in the fund financial statements.

**SAINT REGIS MOHAWK TRIBE**

**Notes to the Financial Statements**

**Year Ended December 31, 2007**

**Note 1 - Summary of Significant Accounting Policies - Continued**

**C. Basis of Presentation - Continued**

**Tribe-Wide Financial Statements**

The Tribe-wide statement of net assets and statement of activities display information about the Tribe's primary government and its component units. These statements include the financial activities of the overall Tribe, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between governmental and business-type activities of the Tribe.

Governmental activities are financed primarily through transfers from business-type activities, investment income, intergovernmental revenues and taxes. Business-type activities are financed primarily by revenues earned in transactions with external parties.

The Tribe-wide statement of activities reflects the cost of programs and functions (public health, education, gaming, etc.) reduced by directly associated revenues (program income, and operating and capital grants) to arrive at the net revenue or expense for each program and function. Net program revenue or expense for governmental and business activities are then adjusted for general revenues to determine the change in net assets for the year. Indirect expenses such as support services and administration incurred in the general government and other functions/activities are not allocated to programs/functions that they may benefit. When both restricted and unrestricted resources are available for use, it is the Tribe's policy to use restricted resources first, then unrestricted resources as they are needed.

**Fund Financial Statements**

The fund financial statements provide information about the Tribe's funds, including fiduciary funds. Separate statements for each fund category -- governmental, proprietary, and fiduciary-- are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The Tribe reports the following major governmental funds:

*General Fund* - The general fund is the Tribe's primary operating fund. It accounts for all governmental financial resources, except those required to be accounted for in another fund.

*Indian Health Services Fund* - The Indian Health Services Fund accounts for resources received from the U.S. Department of Health and Human Services for the operation of a clinic and health services on the reservation.

The Tribe reports the following major enterprise funds:

*Mohawk Bingo Palace* - The Tribe operates this gaming facility located on Tribal land that offers Bingo and Class II gaming (as defined by the Indian Gaming Regulatory Act).

*Mohawk Mountain Project* - The Mohawk Mountain Casino Project was to be a future gaming operation in Sullivan County, New York. The Project has been abandoned; construction never began on this project and costs-to-date represent start-up costs that have been expensed.

**SAINT REGIS MOHAWK TRIBE**

**Notes to the Financial Statements**

**Year Ended December 31, 2007**

**Note 1 - Summary of Significant Accounting Policies - Continued**

**C. Basis of Presentation - Continued**

**Fund Financial Statements-Continued**

*Akwesasne Mohawk Casino* - The Tribe operates this gaming facility located on tribal land that offers Class III gaming (as defined by the Indian Gaming Regulatory Act). The facility also includes a gift shop, bar and restaurant.

*Akwesasne Housing Authority* - This is the Tribe's designated housing entity that was created in order to provide low-rent housing for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development and other federal agencies.

The Tribe reports the following additional fund types:

*Internal Service Funds* - These funds account for the Tribe's common services and a self-insurance medical plan. Common services are used by all special revenue and fiduciary type funds. Premiums are assessed to the funds based on payroll expenditures and rates approved by the Department of Interior. The Tribe also has a health fund to account for its self-insured medical plan. Premiums are based upon estimated health care costs.

*Scholarship Fund* - This is a fiduciary trust fund type used for scholarships for members of the Tribe.

**D. Basis of Accounting**

The Tribe-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method revenue is recorded when earned and expenses are recorded when liabilities are incurred, regardless of when the related cash flow takes place. Non-exchange transactions, in which the Tribe gives (or receives) value without directly receiving (or giving) equal value in exchange, include possessory interest, grants, entitlements and donations. On an accrual basis, revenue from grants, entitlements and donations is recognized in the fiscal year in which eligibility requirements have been satisfied.

Proprietary fund operating revenue results from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses of proprietary funds include the cost of sales and services, administrative expenses, development expenses and depreciation on capital assets. All revenue and expenses not meeting these definitions are reported as non-operating revenue and expenses.

Governmental funds are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under this method revenue is recognized when measurable and available. The Tribe considers all revenue reported in the governmental funds to be available if the revenue is collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from long-term debt and acquisitions under capital leases are reported as other financing sources.



**SAINT REGIS MOHAWK TRIBE**

**Notes to the Financial Statements**

**Year Ended December 31, 2007**

**Note 1 - Summary of Significant Accounting Policies - Continued**

**E. Cash and Cash Equivalents**

For statement of cash flows purposes, all highly liquid investments with original maturities of three months or less, including overnight repurchase agreements and money market mutual funds, are considered cash equivalents.

**F. Inventories**

Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out (FIFO) average cost method. Mohawk Bingo Palace and Akwesasne Mohawk Casino inventory consists of food, beverages, gaming supplies, linens and retail goods. Akwesasne Housing Authority inventory consists of expendable supplies held for consumption.

**G. Investments**

Investments are recorded at fair value. Fair value is determined by the reported market value of securities and mutual funds trading on national exchanges. The Tribe's investment policy allows investment in U.S. government obligations and certificates of deposit. The Tribe has also invested in equity and debt securities and mutual funds.

**H. Accounts Receivable**

Receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a regular basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible.

Receivables in the tribal general fund and enterprise funds consist of amounts due from employees, tribal members and normal tribal customers.

Receivables in the Indian Health Services and non-major funds (special revenue funds) represent amounts due from third party insurance billings.

**I. Interfund Receivables/Payables**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as interfund receivables/payables in the fund financial statements.

**J. Capital Assets and Depreciation**

Capital assets are recorded at historical cost or estimated historical cost if actual historical cost is not known. Contributed assets, including those from the federal government, are recorded at estimated fair value on the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Costs incurred for repairs and maintenance are expensed as incurred. Reservation lands and related resources (such as timber stands and other natural resources) are not capitalized because there is not an historical cost associated with these assets.

The Tribal Council has approved the use of portions of reservation land by Tribal enterprises. Tribal enterprises do not pay rent for the use of such land and it remains in trust for the benefit of the Tribe.

Assets transferred from use by governmental activities to proprietary funds (and vice versa) are recorded at fair value at the date of transfer.

**SAINT REGIS MOHAWK TRIBE**

**Notes to the Financial Statements**

**Year Ended December 31, 2007**

**Note 1 - Summary of Significant Accounting Policies - Continued**

**J. Capital Assets and Depreciation - Continued**

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are as follows:

Governmental Funds Asset Category	Capitalization Threshold	Years
Infrastructure (Water System)	\$5,000	30
Buildings and improvements	\$5,000	40
Equipment	\$5,000	5 - 7
Vehicles	\$5,000	5 - 7

Business-type Fund Assets	Capitalization Threshold	Years
Land improvements and site development	\$5,000	15 - 20
Buildings and improvements	\$5,000	15 - 40
Leasehold improvements	\$5,000	7 - 10
Bingo equipment	\$5,000	7
Other equipment	\$5,000	7-10
Furniture and fixtures	\$5,000	3-7
Vehicles	\$5,000	5

During the year ended December 31, 2007 the Akwesasne Mohawk Casino and Mohawk Bingo Palace changed their capitalization thresholds from \$1,000 to \$5,000. The resulting change is included in gain/loss on capital assets in the Statement of Revenues, Expenses, and Changes in Net Assets.

Construction-in-progress in governmental activities consists of waterlines and a solid waste transfer station that are being constructed. Included in the construction-in-progress are the costs of labor and materials. It is the Tribe's policy not to depreciate these assets until they are placed in service.

Construction-in-progress in business-type activities represents the construction costs incurred related to infrastructure projects. Upon completion, such costs are reclassified to property and equipment and depreciation is commenced.

Depreciation is provided using the straight-line method over estimated useful lives.

The Tribe determined, or estimated, historical infrastructure costs by reference to historical records, by appraisal, or by determining:

- estimated costs appropriate for the construction or acquisition date if actual historical costs were not available, or
- current cost adjusted for the price change from the date of construction or acquisition to the current date.

**SAINT REGIS MOHAWK TRIBE**  
**Notes to the Financial Statements**  
**Year Ended December 31, 2007**

**Note 1 - Summary of Significant Accounting Policies - Continued**

**K. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**L. Compensated Absences**

Tribal employees accumulate vacation and sick leave hours for subsequent use. Earned vacation pay may be paid upon termination of employment. Sick pay is not paid upon termination.

Accumulated vacation pay is recorded as an expense and a liability in the proprietary type funds at the time the liability is accrued. Governmental fund types record accumulated vacation pay as an expenditure in the current year to the extent it is paid during the year or is expected to be funded from recorded revenues, which represent the entire accrued liability.

**M. Foreign Currency**

All statements of net assets and balance sheet accounts are translated into United States dollars using the current exchange rates at December 31, 2007. Revenue and expenditures are translated at the average exchange rate for that year.

**N. Income Recognition - Mohawk Bingo Palace and Akwesasne Mohawk Casino**

The Casinos recognize revenue in accordance with industry practice. Revenue is the net win from gaming activities, which is the difference between gaming wins and losses. Revenue includes the retail value of food and beverages and other items that are provided to customers on a complimentary basis. A corresponding amount is deducted from revenue as an allowance. The cost of such complimentaries is included in operating expenses in the accompanying statement of revenues, expenses, and changes in fund net assets. For bingo, revenue consists of the amount played by customers less the prizes paid to customers. For poker, revenue ("the rake") consists of the amount of facilitation fees collected from the players by the Casino for operating poker games. Operating revenues are earned in relation to the business purpose of the Casinos. All other revenues are classified as non-operating.

**O. Federal and State Income Taxes**

The Saint Regis Mohawk Tribe, as a federally recognized sovereign government, is exempt from federal and state income taxes. As such, no income taxes have been provided for in the accompanying financial statements.

**P. Indirect Costs**

Indirect costs represent costs of administration and operation, including accounting costs, which cannot be readily allocated to individual programs. These costs are paid from the indirect cost pool and allocated to applicable programs, based on a negotiated indirect cost agreement. A rate of 26.22% was charged to benefiting programs, based on direct salaries and wages, excluding fringe benefits.

**SAINT REGIS MOHAWK TRIBE**  
**Notes to the Financial Statements**  
**Year Ended December 31, 2007**

**Note 1 - Summary of Significant Accounting Policies - Continued**

**Q. Advertising**

The Casinos expense the cost of advertising when incurred. The combined advertising expense for the year ended December 31, 2007 amounted to \$1,665,802.

**R. Investments**

The Tribe receives advance payments of certain grant awards. Section 112 of the Department of Interior and Related Agencies Appropriations Act, 1998, P.L. 105-83, Nov. 14, 1997, specifies investment options as follows:

Advance payments made under this title to Indian Tribes, tribal organizations, and tribal consortia pursuant to the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450 et seq.) may be invested by the Indian Tribe, tribal organizations, or consortium before such funds are expended for the purposes of the grant, compact or annual funding agreement so long as such funds are: (1) invested by the Indian Tribe, tribal organization, or consortium only in obligations of the United States, or in obligations or securities that are guaranteed or insured by the United States, or mutual (or other) funds registered with the Securities and Exchange Commission and which only invest in obligations of the United States or securities that are guaranteed or insured by the United States; or, (2) deposited only into accounts that are fully collateralized to ensure protection of the funds, even in the event of a bank failure.

**S. Prepaid Expenses**

The Housing Authority and Casinos incurred costs that benefit future periods. These are recorded at cost and are amortized over the related periods.

**T. Deferred Revenues**

Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. The Tribe has reported deferred revenues on contract and grants receivable from various agencies and for a loan repayment and subsequent funding in the nonmajor governmental funds.

**U. Budgetary Data**

A budget is not formally adopted for the Indian Health Services major governmental fund as it is not legally required. Therefore, presentation of budgetary comparison information is not required supplementary information for this major fund.

**V. Elimination of Internal Activities**

The Tribe eliminates interfund receivables and payables in its statement of net assets so as to minimize the "grossing up" effect on assets and liabilities.

**W. Impairment of Long-Lived Assets**

The Tribe reviews long-lived assets and certain identifiable intangibles for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeded the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

**SAINT REGIS MOHAWK TRIBE**

**Notes to the Financial Statements**

**Year Ended December 31, 2007**

**Note 1 - Summary of Significant Accounting Policies - Continued**

**X. Base Jackpots - Akwesasne Mohawk Casino**

Base jackpots for certain games are charged to revenue at the time the bases are established. Increases in progressive jackpot liabilities are recorded based on the amount wagered on such games each day.

**Y. Chip Liability - Akwesasne Mohawk Casino**

The liability for outstanding gaming chips is established by determining the difference between the total chips placed in service to the actual inventory of chips in custody of the Casino at year end.

**Z. Rental Income - Akwesasne Housing Authority**

A percentage of tenant income, as determined by HUD, is used to determine income from rents and may not represent fair market rent.

**AA. Interest Expense - Akwesasne Housing Authority**

Interest expense on tax free notes and bonds and interest income on related debt proceeds are capitalized during the project development period.

**AB. Accounting for Derivative Instruments**

As part of the Tribe's risk management policy, it uses interest rate swap agreements to manage interest rate risk arising from its variable rate debt. Under these swap agreements, the Tribe pays a fixed rate and receives a variable rate.

**Note 2 - Deposits and Investments**

At December 31, 2007, the Tribe reports the following deposits:

**Governmental Activities and Fiduciary Funds**

	Carrying Amount	Bank Balance
Demand deposits and money market accounts	\$ 16,355,735	\$ 18,465,457
Cash on hand	500	
Total deposits - governmental activities and fiduciary funds	\$ 16,356,235	\$ 18,465,457

**Business Type Activities**

Cash on hand	\$ 5,261,496	
Demand deposits and cd's - Housing Authority	8,422,909	
Demand deposits - other business type activities	17,999,180	\$ 18,469,418
Total deposits - business type activities	\$ 31,683,585	\$ 18,469,418
Total deposits	\$ 48,039,820	\$ 36,934,875

Except as detailed below, the Tribe's accounts were either insured by FDIC, CDIC, or had pledged securities as collateral for balances exceeding the insurance limit.

**SAINT REGIS MOHAWK TRIBE**

**Notes to the Financial Statements**

**Year Ended December 31, 2007**

**Note 2 - Cash and Cash Equivalents - Continued**

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Tribe's deposits may not be returned to it. The Tribe does not have a deposit policy for custodial credit risk. As of December 31, 2007, \$18,545,463 of the Tribe's bank balance of \$36,934,875 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 2,940,274
Uninsured and collateral held by pledging bank's trust department, not in the Tribe's name	<u>15,605,189</u>
<b>Total</b>	<b><u>\$18,545,463</u></b>

Foreign Currency Risk - Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of the Tribe's deposits. The Tribe does not have a formal deposit policy that limits the amount of foreign currency held as a means of managing its exposure to losses arising from fluctuating exchange rates. As of December 31, 2007, the Tribe had foreign cash on hand of \$1,189,469 and bank deposits in foreign currency of \$288,371. These had a U.S. cash value of \$1,189,469 and \$288,371, respectively.

As of December 31, 2007, the Tribe had the following investments and maturities:

	Fair Value	Investment Maturities (in Years)			
		Less than 1	1 - 5	6 - 10	More than 10
Federal National Mortgage Association	\$ 566,112	\$ 50,063	\$ 465,846	\$ 50,203	
U.S. Treasury Notes	483,578	175,146	308,432		
Federal Home Loan Mortgage Corporation	487,132	100,813	310,465	75,854	
Corporate Bonds	205,888	100,709	105,179		
Corporate Stock	562,079				
Mutual Funds	<u>1,588,833</u>				
<b>Total</b>	<b><u>\$ 3,893,622</u></b>	<b><u>\$ 426,731</u></b>	<b><u>\$ 1,189,922</u></b>	<b><u>\$ 126,057</u></b>	<b><u>\$ 0</u></b>

Interest Rate Risk - The Tribe does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit risk - The Tribe places no limit on the amount that may be invested in any one issuer. As of December 31, 2007, the Tribe had more than 5% of its total investments in the following: Federal National Mortgage Association (14.54%) and Federal Home Loan Mortgage Corporation (12.51%).

**SAINT REGIS MOHAWK TRIBE**

**Notes to the Financial Statements**

**Year Ended December 31, 2007**

**Note 2 - Deposits and Investments - Continued**

**Credit Risk**

The Tribe has no investment policy which limits its investment choices with regard to credit rating. As of December 31, 2007, the following investments had the associated credit risk:

	<u>Fair Value</u>	<u>AAA/Aaa</u>	<u>AA/AA-</u>	<u>A+</u>	<u>BBB+</u>
Federal National Mortgage Association	\$ 566,112	\$ 566,112			
Federal Home Loan Mortgage Corporation	487,132	487,132			
Corporate Bonds	205,888	52,799	\$ 50,464	\$ 52,380	\$ 50,245
	<u>\$ 1,259,132</u>	<u>\$ 1,106,043</u>	<u>\$ 50,464</u>	<u>\$ 52,380</u>	<u>\$ 50,245</u>

**Custodial Credit Risk**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Tribe will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the Tribe's \$3,893,622 investments, \$2,304,789 are held in nominee name by the custodian as follows:

US Treasury Notes	\$ 483,578
Federal National Mortgage Association	566,112
Federal Home Loan Mortgage Corporation	487,132
Corporate Bonds	205,888
Common Stocks	562,079
	<u>\$ 2,304,789</u>

The Tribe does not have an investment policy for custodial credit risk.

**Note 3 - Receivables**

Governmental receivables at year-end are summarized as follows:

Business receivables	\$ 486,149
Employees	69,900
Insurance billings	545,670
Less: Allowance for doubtful accounts	(112,204)
Total governmental receivables	<u>\$ 989,515</u>

Business-type receivables at year-end are summarized as follows:

Business receivables-Mohawk Bingo Palace	\$ 53,059
Business receivables-Akwesasne Mohawk Casino	559,167
Tenant receivables-Akwesasne Housing Authority	17,180
Less: Allowance for doubtful accounts	(2,142)
Total business-type receivables	<u>\$ 627,264</u>

**SAINT REGIS MOHAWK TRIBE**

**Notes to the Financial Statements**

**Year Ended December 31, 2007**

**Note 4 - Interfund Activity**

Interfund balances are summarized as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Total</u>
General fund	Non-major governmental funds	\$ 104,054
General fund	Non-major proprietary funds	76,620
Non-major governmental funds	General fund	799,421
Indian Health Service	General fund	9,652
Mohawk Bingo Palace	General fund	13,986
Akwesasne Mohawk Casino	General fund	181,149
Akwesasne Mohawk Casino	Mohawk Bingo Palace	180,068
		<u>\$ 1,364,950</u>

Interfund balances represent non-interest bearing amounts owed to or from the general fund and other Tribal funds for administrative services rendered, for payments made on behalf of other funds, for insurance premiums and for amounts used to supplement and match grant and contract programs. Amounts are generally due upon demand.

Interfund transfers are summarized as follows:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Purpose</u>	<u>Total</u>
General fund	Indian Health Services	Program subsidy	\$ 117,439
General fund	Non-major governmental funds	Program subsidy	5,538,926
Non-major governmental funds	Indian Health Services	Program subsidy	3,039,608
Mohawk Bingo Palace	General fund	Profit distribution	10,511,000
Akwesasne Mohawk Casino	General fund	Profit distribution	7,501,000
General fund	Non-major proprietary funds	Program subsidy	10,000

**Note 5 - Inventories**

Inventories consist of the following at December 31, 2007:

Food and beverage	\$ 92,501
Kitchenware and supplies	91,083
Gift shop merchandise	4,597
Uniforms	50,256
Housing Authority supplies	93,392
Bingo paper	30,208
Pull tabs	3,615
Smoke shop	12,320
	<u>\$ 377,972</u>



**SAINT REGIS MOHAWK TRIBE**

**Notes to the Financial Statements**

**Year Ended December 31, 2007**

**Note 6 - Capital Assets**

Capital assets activity for the year ended December 31, 2007, is summarized as follows:

	<u>Balance 1/1/2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2007</u>
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land and improvements	\$ 780,386	\$ 178,100		\$ 958,486
Construction in progress	<u>3,927,190</u>	<u>4,771,075</u>		<u>8,698,265</u>
Total capital assets not being depreciated	<u>4,707,576</u>	<u>4,949,175</u>	\$ <u>0</u>	<u>9,656,751</u>
Capital assets being depreciated				
Buildings and improvements	11,542,540	109,752		11,652,292
Equipment	1,606,249	298,036	(7,445)	1,896,840
Vehicles	1,982,419	259,785	(86,515)	2,155,689
Infrastructure	<u>4,227,998</u>			<u>4,227,998</u>
Total capital assets being depreciated	<u>19,359,206</u>	<u>667,573</u>	<u>(93,960)</u>	<u>19,932,819</u>
Less accumulated depreciation				
Buildings and improvements	(3,437,084)	(288,585)		(3,725,669)
Equipment	(918,623)	(205,477)		(1,124,100)
Vehicles	(1,229,028)	(251,997)	71,870	(1,409,155)
Infrastructure	<u>(389,327)</u>	<u>(139,513)</u>		<u>(528,840)</u>
Total accumulated depreciation	<u>(5,974,062)</u>	<u>(885,572)</u>	<u>71,870</u>	<u>(6,787,764)</u>
Net capital assets being depreciated	<u>13,385,144</u>	<u>(217,999)</u>	<u>(22,090)</u>	<u>13,145,055</u>
<b>Net capital assets</b>	<u>\$18,092,720</u>	<u>\$ 4,731,176</u>	<u>\$ (22,090)</u>	<u>\$22,801,806</u>

**SAINT REGIS MOHAWK TRIBE**

**Notes to the Financial Statements**

**Year Ended December 31, 2007**

**Note 6 - Capital Assets - Continued**

	<u>Balance</u> <u>1/1/2007</u>	<u>Additions</u>	<u>Deletions/ Adjustments</u>	<u>Balance</u> <u>12/31/2007</u>
<b>Business-type activities</b>				
Capital assets not being depreciated				
Land	\$ 1,981,274	\$	\$	\$ 1,981,274
Construction in progress	<u>2,625,259</u>	<u>1,510,845</u>	<u>(1,308,820)</u>	<u>2,827,284</u>
Total capital assets not being depreciated	<u>4,606,533</u>	<u>1,510,845</u>	<u>(1,308,820)</u>	<u>4,808,558</u>
Capital assets being depreciated				
Site development	343,253		(14,256)	328,997
Leasehold improvements	6,338,531	173,461	1,461,677	7,973,669
Buildings and improvements	37,103,549	538,920	(3,391,526)	34,250,943
Furniture and fixtures	18,992,732	5,062,640	(2,079,425)	21,975,947
Equipment	564,532	94,804	(205,024)	454,312
Bingo equipment	260,420			260,420
Vehicles	<u>279,875</u>	<u>102,676</u>	<u>(157,567)</u>	<u>224,984</u>
Total capital assets being depreciated	<u>63,882,892</u>	<u>5,972,501</u>	<u>(4,386,121)</u>	<u>65,469,272</u>
Less accumulated depreciation				
Site development	(78,701)	(23,561)	6,732	(95,530)
Leasehold improvements	(4,008,283)	(552,387)	140,491	(4,420,179)
Buildings and improvements	(11,528,430)	(1,543,409)	438,199	(12,633,640)
Furniture and fixtures	(11,033,313)	(5,752,300)	1,605,865	(15,179,748)
Equipment	(222,107)	(90,898)	21,653	(291,352)
Bingo equipment	(260,420)			(260,420)
Vehicles	<u>(232,331)</u>	<u>(49,193)</u>	<u>151,234</u>	<u>(130,290)</u>
Total accumulated depreciation	<u>(27,363,585)</u>	<u>(8,011,748)</u>	<u>2,364,174</u>	<u>(33,011,159)</u>
Net capital assets being depreciated	<u>36,519,307</u>	<u>(2,039,247)</u>	<u>(2,021,947)</u>	<u>32,458,113</u>
<b>Net capital assets</b>	<b><u>\$ 41,125,840</u></b>	<b><u>\$ (528,402)</u></b>	<b><u>\$ (3,330,767)</u></b>	<b><u>\$ 37,266,671</u></b>

**SAINT REGIS MOHAWK TRIBE**

**Notes to the Financial Statements**

**Year Ended December 31, 2007**

**Note 7 - Lease Commitments**

The Tribe leases property and office equipment under noncancelable operating leases expiring at various times through the year 2013. Rental expense for these leases for the year ended December 31, 2007 is as follows:

	<u>Total</u>
General fund	\$ 29,364
Special revenue funds	186,973
Mohawk Bingo Palace	180,573
Akwesasne Mohawk Casino	305,283
Internal service fund	<u>27,489</u>
Total lease commitments	<u>\$ 729,682</u>

The future minimum rental commitments under noncancelable operating leases are as follows:

<u>Years Ending December 31,</u>		
2008		\$ 275,525
2009		<u>132,754</u>
Total		<u>\$ 408,279</u>

The Mohawk Bingo Palace also rents class II gaming machines from various vendors. The rent is based on a percentage of net win from each machine, varying from 20% to 30% of net win. The rent expense totaled \$5,621,531 for the year ended December 31, 2007.

**Note 8 - Long-Term Liabilities**

Changes in long-term liabilities for the year ended December 31, 2007, were as follows:

	<u>Balance</u> <u>1/1/2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/2007</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
<b>Governmental</b>					
Notes payable	\$ 785,855		\$ (174,878)	\$ 610,977	\$ 114,530
Capital leases	<u>26,082</u>		<u>(3,386)</u>	<u>22,696</u>	<u>3,613</u>
<b>Governmental long-term liabilities</b>	<u>\$ 811,937</u>	<u>\$ 0</u>	<u>\$ (178,264)</u>	<u>\$ 633,673</u>	<u>\$ 118,143</u>
<b>Business-type</b>					
Notes payable/project loans	\$ 26,056,059	\$ 12,381,013	\$ (7,573,668)	\$ 30,863,404	\$ 1,600,000
Legal settlement	8,000,000		(8,000,000)	0	
Compensated absences	<u>26,005</u>	<u>2,995</u>	<u>(1,300)</u>	<u>27,700</u>	<u>1,385</u>
<b>Business-type long term liabilities</b>	<u>\$ 34,082,064</u>	<u>\$ 12,384,008</u>	<u>\$ (15,574,968)</u>	<u>\$ 30,891,104</u>	<u>\$ 1,601,385</u>
<b>Total governmental and business-type activities</b>	<u>\$ 34,894,001</u>	<u>\$ 12,384,008</u>	<u>\$ (15,753,232)</u>	<u>\$ 31,524,777</u>	<u>\$ 1,719,528</u>

**SAINT REGIS MOHAWK TRIBE**

**Notes to the Financial Statements**

**Year Ended December 31, 2007**

**Note 8 - Long-Term Liabilities - Continued**

**Governmental Activities**

Note payable to a bank, payable in monthly installments of \$6,406 plus variable interest through September 2007. Monthly installments increase each year in October. This note is collateralized by equipment, inventory, accounts receivable, contract rights, chattel paper, fixtures, intangibles and the Tribe's interest in the Health Care Facility.	\$ 459,991
Note payable to a bank, payable in monthly installments of \$2,290 with interest at 7% through June 2015. The proceeds were used to acquire property, which serves as collateral on the loan.	138,986
Note payable to a bank, due in monthly installments of \$6,000 plus interest at variable rates through February 2008. The note is collateralized by a security agreement in a bank trust account with a value of \$2,669,462 at December 31, 2007.	12,000
Lease of residential structure and land from the Akwesasne Housing Authority. The term of the lease is from July 1, 2003 through May 31, 2013. Monthly payments are \$413.	<u>22,696</u>
Total long-term debt	633,673
Less current maturities	<u>(118,143)</u>
Total long-term debt, net of current maturities	<u>\$ 515,530</u>

**Business-type activities**

Note payable to a development company representing the principal sum of all advances made to or on behalf of the Tribe by the development company pursuant to a development agreement to operate a Class III gaming facility in Sullivan County. Advances outstanding shall bear interest at the interest rate in effect from the date of advance through the time of repayment. Principal and interest payments shall be made in 60 monthly installments commencing 30 days after the opening of the Class III gaming facility. This note is limited recourse debt and can only be repaid from operating profits of this new Class III gaming facility and the Akwesasne Mohawk Casino. Interest expense on this note amounted to \$779,925.	\$ 23,263,404
Note payable to Key Bank that has been assigned to the Akwesasne Mohawk Casino for use and repayment. Monthly payments are \$133,333 of principal plus interest at LIBOR plus 1.75%. The interest rate is adjusted quarterly and is 6.9375% at December 31, 2007. The debt is guaranteed by the Akwesasne Mohawk Casino and Mohawk Bingo Palace. The guarantors have pledged as collateral all rights and interest in their cash, net revenues, personal property and other non-capital assets.	<u>7,600,000</u>
Total long-term debt	30,863,404
Less current maturities	<u>(1,600,000)</u>
Total long-term debt, net of current maturities	<u>\$ 29,263,404</u>

**SAINT REGIS MOHAWK TRIBE**

**Notes to the Financial Statements**

**Year Ended December 31, 2007**

**Note 8 - Long-Term Liabilities - Continued**

**Business-type activities-Continued**

The Akwesasne Mohawk Casino has one interest rate swap agreement as follows:

<u>Effective Date</u>	<u>Fixed Rate Paid</u>	<u>Current Variable Rate Received</u>	<u>Swap Termination Date</u>	<u>Notional Amount</u>
9/30/2007	5.06%	5.1875%	9/13/2008	\$ <u>7,600,000</u>

The fair value of the swap agreement at December 31, 2007 was (\$34,878).

Annual debt service requirements to maturity are as follows:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 114,530	\$ 38,490	\$ 1,600,000	\$ 438,216
2009	110,215	31,004	1,600,000	365,375
2010	118,479	23,103	1,600,000	254,375
2011	127,361	14,610	1,600,000	143,375
2012	107,171	5,651	1,200,000	34,687
Thereafter	33,221	1,600		
	<u>\$ 610,977</u>	<u>\$ 114,458</u>	<u>\$ 7,600,000</u>	<u>\$ 1,236,028</u>

Compensated absences liabilities are typically paid by the fund that incurred the liability.

**Note 9 - Accrued Expenses**

Accrued expenses consist of the following at December 31, 2007:

Accrued payroll	\$ 480,644
Accrued employee benefits and taxes	2,711,987
Accrued interest	44,399
Regulatory accruals	49,065
Accrued other	<u>1,576,851</u>
	<u>\$ 4,862,946</u>

**Note 10 - Foreign Currency Transactions - Mohawk Bingo Palace and Akwesasne Mohawk Casino**

The Casinos transact substantial business in Canadian as well as U.S. dollars. Canadian transactions are recorded in the functional currency, U.S. dollars. Transaction gains and losses from converting Canadian currency to U.S. currency are recognized as a component of operations. The statement of net assets accounts are converted into U.S. dollars using the current exchange rate quoted by the bank. Revenue and expense accounts are converted at the average exchange rate. The net foreign currency transactions for the year ended December 31, 2007 amounted to a gain of \$1,207,123.

**SAINT REGIS MOHAWK TRIBE**

**Notes to the Financial Statements**

**Year Ended December 31, 2007**

**Note 11 - Gaming Liabilities - Mohawk Bingo Palace and Akwesasne Mohawk Casino**

The Palace records a liability for accrued bingo prizes and machine payouts for the payoff related to progressive jackpots. The amount accrued is increased by various amounts, per gaming session and machine counts, until paid to a winner.

The Casino records progressive jackpot liabilities as an expense when incurred. The liabilities recorded are in accordance with gaming regulations. When the liability is displayed it must remain until the jackpot is hit or operations terminate.

Gaming liabilities consist of the following at December 31, 2007:

Progressive slot liability	\$ 1,545,387
Chip/token liability	218,106
Players Club liability	47,575
Progressive poker jackpot liability	<u>152,439</u>
	<u>\$ 1,963,507</u>

**Note 12 - Contingent Liabilities and Commitments**

- A. On November 7, 1997, the Saint Regis Mohawk Tribe entered into an agreement (the "Management Agreement") with President R.C. - Massena Management Company (the "former Manager"), a New York Partnership, to provide financial assistance, technical assistance and expertise, and to develop, construct, manage, operate, and maintain a Class II and III gaming facility on lands subject to the jurisdiction of the Tribe. The agreement with the former Manager was terminated in June 2000 and was in the litigation process until August of 2006.

In August 2006 the New York State court ordered a settlement between the former Manager and the Tribe. The settlement was for \$10,000,000, of which \$2,000,000 was paid by the Tribe upon execution and the remaining \$8,000,000 is due and payable by July 31, 2007. The balance due was paid by the Tribe in September 2007.

- B. During 2001, the Tribe entered into a development agreement with a company to finance, develop, and construct a Class III gaming facility in Sullivan County. The agreement was amended during 2003. The anticipated project costs for development, construction, and pre-opening expenses were anticipated to be approximately \$800,000,000. The Tribe had also entered into a management agreement with the same company, who would manage the operations once the project was complete. Work on this project has ceased. The agreements have never received approval by the National Indian Gaming Commission. The development company has advanced \$23,263,404 including interest to the Tribe. These advances represent limited recourse debt and can only be repaid from the operating profits of the Mohawk Mountain Casino Resort project in Sullivan County and the Saint Regis Mohawk Tribe. An interim promissory note in the amount of \$17,407,400 is the last note drafted evidencing this obligation. For the year ending December 31, 2007 there have been no additional developments.

**SAINT REGIS MOHAWK TRIBE**

**Notes to the Financial Statements**

**Year Ended December 31, 2007**

**Note 12 - Contingent Liabilities and Commitments - Continued**

**Other Matters:**

The Tribe receives federal grants for various specific purposes. These grants are subject to audit, which may result in requests for reimbursements to granting agencies, for expenditures disallowed under the terms of the grants. Based on prior experience, the Tribal personnel believe that such disallowance, if any, will not be material to the financial statements.

**Note 13 - Tribal State Compact - Akwesasne Mohawk Casino**

The Secretary of the Interior approved an amendment to the Tribal-State Compact effective March 7, 2005 which allows the Tribe to operate slot machines in exchange for the Tribe contributing to the State a portion of the proceeds (net win) from slot machines according to the following schedule:

Years one through four	18%
Years five through seven	22%
Years after year seven	25%

The Tribe shall install and operate on a continuing basis no less than 1,000 slot machines beginning no later than one year after the governor's certification and the Tribe shall install and operate on a continuous basis no less than 750 slot machines within 180 days after such certification.

**Note 14 - Self-insurance**

It is the policy of the Tribe and the Akwesasne Mohawk Casino to act as self-insurers for certain insurable risks for a health and dental insurance program. Medical losses and claims are accrued as incurred. Liabilities include an amount for claims that have been incurred but not reported (IBNR). The Tribe and Casino have in force an excess stop loss policy fully covering claims exceeding \$200,000 annually per employee to reduce their exposure to large losses. Amounts charged to expense for such medical claims were \$6,233,791 (Tribe - \$2,332,815 and Casino - \$3,900,976) for the year ended December 31, 2007.

**Note 15 - Risk Management**

The Tribe faces a considerable number of risks of loss, including:

- a) damage to and destruction and loss of property and contents;
- b) environmental damage;
- c) workers' compensation (i.e., employee injuries);
- d) tort actions; and,
- e) errors and omissions.

A variety of methods is used to provide insurance for these risks. Commercial insurance policies, transferring all risks of loss, except for relatively small deductible amounts, are purchased for property and content damage, tort actions, and errors and omissions. Settled claims for these risks have not exceeded commercial insurance coverage for the past three years.

Workers' compensation insurance coverage is provided through the State of New York.

Given the lack of coverage available, the Tribe has no coverage for potential losses due to environmental damages. The amounts of any potential future losses are unknown.

**SAINT REGIS MOHAWK TRIBE**  
**Notes to the Financial Statements**  
**Year Ended December 31, 2007**

**Note 15 - Risk Management-Continued**

**Akwesasne Housing Authority**

The Housing Authority participates in the AMERIND Risk Management Corporation, a public entity risk plan that operates as a common risk management and insurance program for housing authorities. AMERIND is registered as a risk retention group and losses are shared with the group members.

This risk pool insures only the first \$1,000,000 of loss. An affiliated entity reinsures losses in excess of the first \$1,000,000 up to \$2,000,000 per occurrence. An unrelated insurance company provides reinsurance for claims in excess of \$2,000,000 up to \$5,000,000 per occurrence. The affiliated entity has not incurred any claim liabilities since inception. The Housing Authority pays insurance premiums to AMERIND.

The Housing Authority continues to carry commercial insurance for other risks of loss. There has been no significant reduction in insurance coverage from the coverage in the prior year.

**Note 16 - Reserved Fund Balance**

In a prior year, the Tribe received an award from a manufacturer for a settlement of issues relating to air emissions. The settlement, plus the gain on the investments net of operating expenses and scholarships paid, totaling \$1,661,789 at December 31, 2007, has been set aside in a scholarship fund for members of the Tribe.

The reserved fund balances represent the amount designated for the following:

<b>General fund</b>	
Community assistance-fuel	\$ 56,978
Law enforcement	2,220
Tax escrow	912,912
Health services	156
Citgo-fuel assistance program	<u>1,447,160</u>
<b>Total general fund</b>	<b><u>\$ 2,419,426</u></b>
<b>Non-major governmental funds</b>	
Health services	\$ 920,369
Public safety	28,572
Te wá tha hón:ni Corp - general fund	<u>3,727</u>
<b>Total Non-major governmental funds</b>	<b><u>\$ 952,668</u></b>

**Note 17 - Deficit Fund Balance**

One special revenue fund had a fund deficit as of December 31, 2007: IRA High Street - \$77,828. Deficits are expected to be offset with future revenues and transfers from the Tribe's general fund.

The Mohawk Mountain Project has an accumulated deficit of \$23,263,404, which represents the start up costs associated with a potential casino operation. Development on this project has ceased (see Note 12).

Two non-major proprietary funds had a fund deficit as of December 31, 2007. The Mohawk Catskill Development had a deficit of \$305,376 and the Saint Regis Mohawk Builders had a deficit of \$4.



**SAINT REGIS MOHAWK TRIBE**

**Notes to the Financial Statements**

**Year Ended December 31, 2007**

**Note 18 - Retirement Plan**

**Employee Benefit Plan - Tribe**

The Tribe has a defined contribution 401(k) plan (the "Plan") intended to provide retirement benefits for eligible employees of the Tribe. Any employee that has completed one year of service with the Tribe is eligible to participate in the Plan. Participants may contribute up to the maximum amount allowed by Section 402(g) of the Internal Revenue Code during any taxable year. The employer, in its discretion, may make matching contributions to the Plan on behalf of each employee who makes contributions. The amount, if any, shall be based on a uniform percentage of the employee's contributions and shall be at a rate adopted by the council. The Tribe's contribution totaled \$549,243 for the year ended December 31, 2007. Employee contributions were \$439,430.

**Profit Sharing Plan - Akwesasne Mohawk Casino**

The Casino has a profit sharing plan whereby it shares a portion of its profits with all employees who meet plan eligibility requirements. The Plan includes a provision for salary deferral under Internal Revenue Code Section 401(k). The Plan allows eligible participants to contribute up to 20% of their salary. Employer contributions to the Plan during the year ended December 31, 2007 amounted to \$718,011. The employees contributed \$360,197 during the year.

**Retirement Plan - Mohawk Bingo Palace**

Palace employees who have one year of service are eligible to participate in the Mohawk Bingo Palace Employees Savings Trust. Under the plan the Palace contributes five percent of each participant's base compensation. The plan has a five-year vesting scheduling. The Palace contributions made for the year ended December 31, 2007 totaled \$177,525 and the employees contributed \$64,380.

**Retirement Plan - Akwesasne Housing Authority**

The Housing Authority contributes to a defined contribution 401(k) plan on behalf of its employees. The Housing Authority is required to contribute at a 6% rate. Their contribution for the year ending December 31, 2007 was \$43,868. There were twenty participants in the plan.

**Note 19 - Prior Period Adjustments-Akwesasne Housing Authority**

During the current year, numerous errors were discovered in the previous financial statements of the Authority causing the beginning balances of net assets to be restated as follows: unrestricted net assets decreased by \$4,537,040, and investment in capital assets decreased by \$2,585,338.

A significant portion of these errors were due to the inaccurate reporting of grant revenue. Previously, the Authority improperly reported exchange transaction grant revenue in the program year the funds were drawn down, instead of when it was earned, in accordance with generally accepted accounting principles. This resulted in net overstatements of grant revenues of \$4,523,368, in prior years. These amounts should have been recorded as deferred revenue.

In addition, projects completed in the year ended December 31, 2006 were conveyed to the St. Regis Mohawk Tribe but, incorrectly, remained on the Authority's books at year end, resulting in an overstatement of fixed assets in the amount of \$2,732,208 and, accordingly, an overstatement of accumulated depreciation in the net amount of \$192,944.

**SAINT REGIS MOHAWK TRIBE**

**Notes to the Financial Statements**

**Year Ended December 31, 2007**

**Note 19 - Prior Period Adjustments-Akwesasne Housing Authority - Continued**

Errors were found in the accumulated depreciation schedule which understated accumulated depreciation by \$66,027. Inventory was adjusted \$19,952 for items not included in the inventory count in the year ended December 31, 2006. The Authority did not record an accrual for salaries at December 31, 2006 in the amount of \$14,794. Accounts payable was overstated by \$600 and investments understated by \$523.

Accordingly, the Authority has restated its financial statements. Unrestricted net assets at the beginning of 2007 have been adjusted by \$7,122,378 for the net effect of these restatements.

**Note 20 - Subsequent Events**

- A. On January 4, 2008 the United States Department of Interior decided that they would not take property into trust on behalf of the Tribe that was to be used for the development of a Class III gaming facility in Sullivan County, New York. The developer of the project, Empire Resorts, has terminated its relationship with the Tribe. The parties are in the process of finalizing a settlement agreement to terminate the development agreement.
- B. In 2007, the Tribal Council approved a \$60 million dollar expansion of its existing Casino facility (Akwesasne Mohawk Casino). Initial construction commenced in November 2007 with a completion date estimated for late spring 2009. A \$55 million credit facility was closed in August, 2008 for the purpose of financing the expansion project.

**SAINT REGIS MOHAWK TRIBE**  
**Budgetary Comparison Schedule**  
**General Fund**  
**Year Ended December 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>with Final Budget Positive (Negative)</u>
<b>Resources (inflows)</b>				
Taxes	\$ 2,129,000	\$ 2,129,000	\$ 2,603,171	\$ 474,171
Charges for services	190,400	190,400	201,266	10,866
Investment income	121,000	121,000	202,154	81,154
Fees and fines	665,000	665,000	615,541	(49,459)
Licenses and permits	50,000	50,000	58,799	8,799
Rental income	5,800	5,800	1,300	(4,500)
Other revenue	2,200	2,200	1,768,274	1,766,074
Proceeds from sale of capital assets			526	526
Gaming distributions	<u>10,320,000</u>	<u>10,320,000</u>	<u>10,511,000</u>	<u>191,000</u>
<b>Amount available for appropriation</b>	<u>13,483,400</u>	<u>13,483,400</u>	<u>15,962,031</u>	<u>2,478,631</u>
<b>Charges to appropriations</b>				
General government	7,968,331	7,968,331	8,730,253	(761,922)
Debt service				
Principal	72,000	72,000	72,000	
Interest	6,000	6,000	5,697	303
Capital outlay	206,000	206,000	293,934	(87,934)
Transfers out	<u>8,117,937</u>	<u>8,117,937</u>	<u>5,869,384</u>	<u>2,248,553</u>
<b>Total charges to appropriations</b>	<u>16,370,268</u>	<u>16,370,268</u>	<u>14,971,268</u>	<u>1,399,000</u>
<b>Net change in fund balance</b>	<u>\$ (2,886,868)</u>	<u>\$ (2,886,868)</u>	<u>\$ 990,763</u>	<u>\$ 3,877,631</u>
<b>Reconciliation to the financial statements:</b>				
Unbudgeted general funds - net change in fund balances			<u>\$ 4,562,807</u>	
<b>Net change in fund balance-all general funds</b>			<u>\$ 5,553,570</u>	

**SAINT REGIS MOHAWK TRIBE**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2007**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Grant Period	Federal Expenditures
<b>U.S. Department of Agriculture</b>				
<b>Direct Programs:</b>				
Chronic Waste Disease Deer	10.025	06-9636-0321CA	8/06-7/07	\$4,614
USDA Headstart	10.558	2060	10/06-9/07	27,010
USDA Headstart	10.558	2060	10/07-9/08	10,869
<b>Subtotal CFDA #10.558</b>				<u>37,879</u>
Elderly Feeding	10.567	4NY400608	10/06-9/07	60,087
Elderly Feeding	10.567	4NY400608	10/07-9/08	17,133
Food & Nutrition	10.567	4NY400608	10/05-9/06	400
<b>Subtotal CFDA #10.567</b>				<u>77,620</u>
Phase 6 Waterline - USDA	10.760	37-0170161007650	9/05-Comp	626
Phase 7 Waterline - USDA	10.760	37-0170161007650	6/07-Comp	45,969
<b>Subtotal CFDA #10.760</b>				<u>46,595</u>
<b>Total Direct Programs</b>				<u>166,708</u>
<b>Passed through the State of New York:</b>				
Women, Infants and Children	10.557	Vouchers	1/07-12/07	151,781
Women, Infants and Children	10.557	C019304	10/07-9/08	24,228
Women, Infants and Children	10.557	C019304	10/06-9/07	48,771
<b>Total Passed Through State of New York</b>				<u>224,780</u>
<b>Total U.S. Department of Agriculture</b>				<u><u>391,488</u></u>
<b>U.S. Department of Commerce:</b>				
<b>Direct Programs:</b>				
EDA 301(b) Planning Grant	11.302	01-84-08337	7/06-6/07	25,164
EDA 301(b) Planning Grant	11.302	01/84/08518	7/07-6/08	14,451
<b>Total U.S. Department of Commerce</b>				<u>39,615</u>
<b>U.S. Department of Housing and Urban Development</b>				
HUD Sewer Plant	14.Unknown	B-03-SR-36-5716	2/04-2/06	42,250
Water Line - HUD Phase VI	14.Unknown	B-04-SR-36-5716	4/05-4/07	205,689
<b>Total U.S. Department of Housing and Urban Development</b>				<u>247,939</u>
<b>U.S. Department of Interior Bureau of Indian Affairs:</b>				
<b>Direct Programs:</b>				
BIA CTGP	15.021	CTS51T00769	1/06/12/06	195,572
BIA CTGP	15.021	CTS51T00769	1/07-12/07	470,323
<b>Subtotal CFDA #15.021</b>				<u>665,895</u>
Roads Maintenance	15.033	CTS51T00771	1/07-12/07	143,494
Roads Maintenance	15.033	CTS51T00771	1/06-12/06	43,656
<b>Subtotal CFDA #15.033</b>				<u>187,150</u>

**SAINT REGIS MOHAWK TRIBE**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2007**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Grant Period	Federal Expenditures
Law Enforcement	15.030	CTS51T00770	1/06-12/06	323,162
Law Enforcement	15.030	CTS51T00770	1/07-12/07	320,483
<b>Subtotal CFDA #15.030</b>				<u>643,645</u>
BIA Noxious Weed Control	15.034	CTS51T00773	7/05-6/06	714
Forest Resource Program	15.035	CTS51T00766	8/02-9/03	80,590
Water Resources	15.037	CTS51T00760	1/99-12/02	28,800
Damage Assesment	15.041	CTS51T00740	6/95-12/01	9,956
Damage Assesment	15.041	CTS51T00772	1/05-12/05	253,522
<b>Subtotal CFDA #15.041</b>				<u>263,478</u>
Snapping Turtles	15.639	U-1-NA-1	1/06-12/08	58,038
Historic Preservation	15.904	36-07-NA-386D	10/06-9/08	62,911
<b>Total U.S. Department of Interior</b>				<u><u>1,991,221</u></u>
<b>U.S. Department of Justice</b>				
<b>Direct Programs:</b>				
Violence Against Women-Safe Haven	16.527	2005-CW-AX-0012	9/05-8/07	176,679
STOP Program	16.587	2005-WI-AX-0005	7/05-6/07	64,146
STOP Program	16.587	2003-WI-BS-0027	7/03-6/05	90
STOP DV Indian Program	16.587	2007-TW-AX-0027	9/07-8/10	9,967
Violence Against Women	16.587	VW05563634	1/06-12/06	6,604
Violence Against Women	16.587	VW06563635	1/07-12/07	35,510
<b>Subtotal CFDA #16.587</b>				<u>116,317</u>
Tribal Courts Asst-DOJ	16.608	2006-IC-BX-0022	7/06-6/08	39,965
COPS Tribal Resources	16.710	2006-HEWX0062	8/06-7/08	15,402
<b>Total U.S. Department of Justice</b>				<u><u>348,363</u></u>
<b>U.S. Department of Labor</b>				
<b>Direct Programs:</b>				
Workforce Investment Summer	17.265	AB-13953-04-55	7/06-6/07	23,228
Workforce Investment Act	17.265	AB-13953-04-55	7/06-6/07	85,019
Workforce Investment Act	17.265	AB-13953-04-55	7/07-6/08	47,767
<b>Total Direct Programs</b>				<u>156,014</u>
<b>Total U.S. Department of Labor</b>				<u><u>156,014</u></u>
<b>U.S. Department of Transportation:</b>				
<b>Direct Programs:</b>				
Cook Road Design	20.Unknown	CTS51T00767	11/02-9/05	217,946
Design Raquette Point	20.205	CTS51T00774	1/07-12/07	76,900
Hazmat	20.703	HMERM7074130	9/07-9/08	7,432
Hazmat	20.703	HMERM0674120	9/06-9/07	8,544
<b>Subtotal CFDA #20.703</b>				<u>15,976</u>

**SAINT REGIS MOHAWK TRIBE**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2007**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Grant Period	Federal Expenditures
<b>Passed through DOI-Bureau of Indian Affairs</b>				
BIA Tarbell/Soloman Road	20.205	CTS51T00774	9/05-9/07	2,245
Transportation Planning	20.205	CTS51T00761	5/01-Comp	17,235
<b>Subtotal CFDA #20.205</b>				<u>19,480</u>
<b>Total U.S. Department of Transportation</b>				<u><u>330,302</u></u>
<b>U.S. Environmental Protection Agency:</b>				
<b>Direct Programs:</b>				
Flouride Study	66.034	XA-98279801-3	11/02-10/06	18,206
EPA-Air Toxics	66.034	XA-97265206-0	10/06-9/07	148,239
<b>Subtotal CFDA #66.034</b>				<u>166,445</u>
EPA-GLNPO	66.469	GL-96553701-0	11/02-10/06	7,463
P.P.G.	66.605	BG992672-01-8	1/01-12/05	715,920
Exchange Network Challenge	66.608	OS-83195701-0	10/04-9/06	(2,299)
Waste Lamp Education	66.608	X1-83139201-0	10/03-9/06	27,223
<b>Subtotal CFDA #66.608</b>				<u>24,924</u>
Multi Media RCRA Compliance	66.709	EA-97298503-1	4/04-3/05	1,812
Multi Media Capacity	66.709	EA-97269405-0	1/06-12/07	49,759
<b>Subtotal CFDA #66.709</b>				<u>51,571</u>
Pesticide Management	66.716	X8-97284001-1	1/05-12/06	2,645
Reynolds Superfund	66.802	V-98247701-2	10/01-12/02	7,950
Solid Waste Compliance	66.808	X198283603-0	7/03-6/04	1,273
Core Program Cooperative	66.809	VC00290590-D	1/02-12/02	(13)
Core Program Cooperative	66.809	VC00290590-E	1/03-12/03	(1,275)
Core Program Cooperative	66.809	VC00290590-G	1/05-12/05	(1,311)
Core Program Cooperative	66.809	VC00290590-H	1/06-12/06	2,553
Core Program Cooperative	66.809	VC00290590-I	1/07-12/07	42,755
<b>Subtotal CFDA #66.809</b>				<u>42,709</u>
Tires Recycling	66.926	GA-97299203-0	10/03-9/04	3,667
<b>Total Direct Programs</b>				<u>1,024,567</u>
<b>Passed Through Indian Health Services</b>				
G.M. Site Specific	66.802	V002955-93-6	10/95-9/05	87,849
<b>Total Passed Through Indian Health Services</b>				<u>87,849</u>
<b>Total U.S. Environmental Protection Agency</b>				<u><u>1,112,416</u></u>
<b>U.S. Department of Education</b>				
<b>Direct Programs:</b>				
Vocational Rehabilitation	84.250	H250A000019-06	10/06-9/07	280,879
Vocational Rehabilitation	84.250	H250F050003-01	10/05-9/06	73,220
<b>Total U.S. Department of Education</b>				<u><u>354,099</u></u>

**SAINT REGIS MOHAWK TRIBE**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2007**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Grant Period	Federal Expenditures
<b>National Archives and Records Administration</b>				
Archives Record Management	89.003	2005-087	9/05-8/06	30,521
<b>Total National Archives and Records Administration</b>				<b>30,521</b>
<b>U.S. Department of Health &amp; Human Services:</b>				
<b>Direct Programs:</b>				
<b>Indian Health Services:</b>				
Project NS-01-979	93.Unknown	NS-00-979	11/01-COMP	5,603
Project NS-06-HJ1	93.Unknown	NS-06-HJ1	5/06-4/07	11,518
Project NS-04-HE8	93.Unknown	NS-04-HE8	1/04-12/04	39
Project NS--01-878	93.Unknown	NS-01-878	9/01-COMP	500
Project NS--01-989	93.Unknown	NS-01-989	9/01-COMP	19,623
Project NS-07-HK1	93.Unknown	NS-07-HK1	5/07-12/07	347,354
Title VI	93.047	0701NY269	4/07-3/08	90,493
Title VI	93.047	0601NY269	4/06-3/07	32,169
<b>Subtotal CFDA #93.047</b>				<b>122,662</b>
Title VI-Part C	93.052	0701NYT6CG	4/05-3/06	30,126
Title VI-Part C	93.052	0601NYT6CG	4/06-3/07	8,461
<b>Subtotal CFDA #93.052</b>				<b>38,587</b>
NSIP-FEDERAL	93.053	06PGNYNSIP	4/06-3/07	3,646
Indian Health Service	93.210	65G030081-5-08	107-12/07	7,235,538
Diabetes Prevention Project	93.237	05-2321-001	10/04-9/05	39,502
Diabetes Prevention Project	93.237	06-2321-001	10/05-9/06	285,107
<b>Subtotal CFDA #93.237</b>				<b>324,609</b>
Diabetes Cardiovascular Prevention	93.442	H1D9400487-01	10/04-9/05	50,863
Diabetes Cardiovascular Prevention	93.442	H1D9400487-02	9/05-9/09	3,659
Diabetes Cardiovascular Prevention	93.442	H1D9400487-03	9/06-9/07	275,193
Diabetes Cardiovascular Prevention	93.442	H1D9400498-04	9/07-9/08	19
<b>Subtotal CFDA #93.442</b>				<b>329,734</b>
Family Support	93.560	C021061	1/07-12/07	122,595
Low Income Home Energy/Cont.	93.568	G06JBNY3IEA	10/05-9/07	47,654
Low Income Home Energy/Cont.	93.568	G07JBNYLIEA	10/06-9/08	127
Low Income Home Energy	93.568	G06JBNY3IEA	10/05-9/07	359
Low Income Home Energy	93.568	G07JBNYLIEA	10/06-9/08	171,574
Low Income Home Energy	93.568	G08JBNYLIEA	10/07-9/09	28,675
<b>Subtotal CFDA #93.568</b>				<b>248,389</b>
CSBG Furnaces	93.569	G06PBNYCOSR	10/05-9/07	168
CSBG Furnaces	93.569	G08PBNYCOSR	10/07-9/08	1,581
<b>Subtotal CFDA #93.569</b>				<b>1,749</b>
CCDF Discretionary	93.575	G07PBNTCCDF	10/06-9/07	111,739
CCDF Discretionary	93.575	G06PBNYCCDF	10/05-9/06	6,892
CCDF Discretionary	93.575	G08PBNYCCDF	10/07-9/08	49,494
<b>Subtotal CFDA #93.575</b>				<b>168,125</b>

**SAINT REGIS MOHAWK TRIBE**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2007**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Grant Period	Federal Expenditures
CCDF Mandatory	93.596	G07PBNYCCDF	10/06-9/07	128,861
CCDF Mandatory	93.596	G06PBNYCCDF	10/05-9/06	114,647
CCDF Mandatory	93.596	G08PBNYCCDF	10/07-9/08	45,920
<b>Subtotal CFDA #93.596</b>				<u>289,428</u>
Headstart	93.600	90C11535/28	12/05-11/06	21,359
Headstart	93.600	90C11535/29	12/06-11/07	510,186
Headstart	93.600	90C11535/30	12/07-11/08	58,014
<b>Subtotal CFDA #93.600</b>				<u>589,559</u>
<b>Total Direct Programs</b>				<u>9,859,258</u>
<b>Pass through State of New York:</b>				
Title III-D	93.043	N/A	1/07-12/07	2,417
Title III-B	93.044	N/A	1/06-12/06	34,528
Title IIIC-2	93.045	N/A	1/06-12/06	537
Title IIIC-2	93.045	N/A	1/07-12/07	43,025
Title IIIC-1	93.045	N/A	1/06-12/06	(307)
Title IIIC-1	93.045	N/A	1/07-12/07	43,025
<b>Subtotal CFDA #93.045</b>				<u>86,280</u>
Title III-E	93.052	N/A	1/07-12/07	32,000
NSIP	93.053	N/A	10/04-9/05	2,768
NSIP	93.053	N/A	10/06-9/07	9,640
<b>Subtotal CFDA #93.053</b>				<u>12,408</u>
HII-CAP	93.779	N/A	4/06-3/07	4,115
HII-CAP	93.779	N/A	4/07-3/08	1,916
<b>Subtotal CFDA #93.779</b>				<u>6,031</u>
<b>Total Passed Through State of New York</b>				<u>173,664</u>
<b>Total U.S. Department of Health &amp; Human Services</b>				<u>10,032,922</u>
<b>U.S Department of Homeland Security</b>				
Law Enforcement Terrorism Prevention	97.067	WM04150042	12/03-11/05	5,000
Law Enforcement Terrorism Prevention	97.067	WM05150052	10/04-3/07	5,000
Homeland Security	97.067	WM06150062	7/06-6/08	16,500
<b>Total Department of Homeland Security</b>				<u>26,500</u>
<b>Total of All Agencies</b>				<u>15,061,400</u>
<b>Less: (A) Represents disbursements to eligible participants.</b>				<u>(151,781)</u>
<b>TOTAL FEDERAL AWARDS</b>				<u>\$ 14,909,619</u>



**SAINT REGIS MOHAWK TRIBE**

**Notes to Supplementary Schedule of  
Expenditures of Federal Awards**

**Year Ended December 31, 2007**

**Note 1 - Basis of Accounting**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Saint Regis Mohawk Tribe and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**Note 2 - Subrecipients**

Of the expenditures presented in the schedule, the Tribe provided no awards to subrecipients.

**Note 3 - Outstanding Federal Loans**

Saint Regis Mohawk Tribe has no federal loan balances outstanding at December 31, 2007.

# JOSEPH EVE GROUP

*Certified Public Accountants*

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

**Honorable Tribal Council  
Saint Regis Mohawk Tribe  
Akwesasne, New York**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Saint Regis Mohawk Tribe (the "Tribe") as of and for the year ended December 31, 2007, which collectively comprise the Tribe's basic financial statements and have issued our report thereon dated September 15, 2008. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Akwesasne Housing Authority, as described in our report on the Tribe's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Te wá tha hón:ni Corporation, Akwesasne Mohawk Casino, and Mohawk Bingo Palace were not audited in accordance with *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Tribe's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Tribe's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Tribe's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 07-1, 07-2, 07-3, 07-5 and 07-6 to be significant deficiencies in internal control over financial reporting.

**Saint Regis Mohawk Tribe  
Report on Internal Control over Financial  
Reporting and on Compliance and  
Other Matters Based on an Audit of Financial  
Statements Performed in Accordance  
With Government Auditing Standards**

**Page 2**

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Tribe's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 07-4.

We noted certain other matters related to the Akwesasne Mohawk Casino and Mohawk Bingo Palace that we reported to management of Saint Regis Mohawk Tribe in separate reports dated April 25, 2008 and April 28, 2008, respectively.

Saint Regis Mohawk Tribe's response to the findings identified in our audit are described in the accompanying corrective action plan. We did not audit Saint Regis Mohawk Tribe's response and accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Tribal Council, others within the entity, and federal granting agencies, and is not intended to be and should not be used by anyone other than these specified parties.

*JOSEPH EVE GROUP*  
*Certified Public Accountants*

**Great Falls, Montana  
September 15, 2008**

# **JOSEPH EVE GROUP**

*Certified Public Accountants*

## **REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

**Honorable Tribal Council  
Saint Regis Mohawk Tribe  
Akwesasne, New York**

### **Compliance**

We have audited the compliance of Saint Regis Mohawk Tribe (the "Tribe") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2007. The Tribe's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Tribe's management. Our responsibility is to express an opinion on the Tribe's compliance based on our audit.

The Tribe's basic financial statements include the operations of the Akwesasne Housing Authority, a blended component unit of the Tribe, which received \$2,322,537 in federal awards which is not included in the schedule of expenditures of federal awards for the year ended December 31, 2007. Our audit, described below, did not include the operations of the Akwesasne Housing Authority because the component unit engaged other auditors to perform an audit in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audit of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the type of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Tribe's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Tribe's compliance with those requirements.

In our opinion, Saint Regis Mohawk Tribe complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007. However, the results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 07-7 through 07-18.

**Saint Regis Mohawk Tribe  
Report on Compliance with Requirements  
Applicable to Each Major Program and  
Internal Control over Compliance in  
Accordance with OMB Circular A-133  
Page 2**

**Internal Control over Compliance**

The management of the Tribe is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Tribe's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Tribe's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 07-9, 07-16, 07-17, and 07-18 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We do not believe any of the significant deficiencies identified above are material weaknesses.

Saint Regis Mohawk Tribe's responses to the findings identified in our audit are described in the accompanying corrective action plan. We did not audit the Tribe's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Tribal Council, management of the Saint Regis Mohawk Tribe, others within the entity, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

JOSEPH EVE GROUP  
Certified Public Accountants

**Great Falls, Montana  
September 15, 2008**

**SAINT REGIS MOHAWK TRIBE**

**Schedule of Findings and Questioned Costs**

**December 31, 2007**

**1. Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes   X   No
- Reportable instances of noncompliance noted? \_\_\_\_\_ Yes   X   No

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes   X   No

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? \_\_\_\_\_ Yes   X   No

**Identification of major programs**

<b><u>CFDA Number(s)</u></b>	<b><u>Federal Program or Cluster</u></b>
15.021	DOI - Consolidated Tribal Grant Program
15.030	DOI-Law Enforcement
66.605	EPA - Performance Partnership Grant
93.210	HHS - IHS Self-governance Compact
93.600	HHS - Headstart
93.575/93.596	HHS - Childcare Development Block Grant Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$ 451,842

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes   X   No

Instances where results of audit follow-up procedures disclosed that the summary schedule of prior audit findings materially misrepresents the status of any prior audit finding? \_\_\_\_\_ Yes   X   No

**Saint Regis Mohawk Tribe**

**Schedule of Findings and Questioned Costs**

**Internal Control Deficiencies that are Significant Deficiencies**

**Year Ended December 31, 2007**

**2. Audit Findings in Relation to Financial Statements**

**07-1 Recordkeeping - Capital Assets**

**Criteria or Specific Requirement:** Properly designed internal controls require adequate recordkeeping to protect against misappropriation.

**Condition:** Pursuant to our review of the Tribe's capital assets and related internal controls, we noted that a physical inventory has not been conducted for either of the past two years.

**Context:** We requested a capital asset inventory listing and reviewed account detail for capital asset purchases. The net book value of all governmental activity capital assets is \$22,801,804.

**Effect:** Capital assets may be misstated. If the capital asset listing is not updated at least biannually with a physical inventory, the Tribe has a greater risk of asset misappropriation.

**Cause:** The Tribe failed to conduct a physical inventory of capital assets to compare to the amount recorded in the accounting records.

**Auditors' Recommendations:** Management should ensure that an appropriate control system is in place for the safeguarding of assets. A physical inventory of assets should be taken at least once every two years and reconciled to the capital asset inventory schedules.

**07-2 Recordkeeping - Akwesasne Petroleum Cooperative**

**Criteria or Specific Requirement:** All expenditures should be properly approved and adequate support should be maintained for all expenditures. In addition, voided checks should be properly voided and maintained in permanent files.

**Condition:** Most of the expenditures that were tested did not have proper authorization and proper support.

**Context:** Fifteen expenditures were tested and fourteen were not properly authorized and did not provide adequate support needed to determine if the expenditure was valid. Additionally, Cooperative personnel could not provide support that a check was properly voided.

**Effect:** Cash disbursements may be made for unsupported and/or unauthorized expenditures.

**Cause:** Excel documents that are prepared by the Akwesasne Petroleum Cooperative bookkeeper are being used as third party invoice documentation. In addition, record maintenance procedures are weak and/or lacking.

**Auditors' Recommendations:** Proper third party documentation should be provided for all expenditures, expenditures should be properly approved prior to check processing and all voided checks should be properly voided and retained.

**Saint Regis Mohawk Tribe**

**Schedule of Findings and Questioned Costs**

**Internal Control Deficiencies that are Significant Deficiencies**

**Year Ended December 31, 2007**

**2. Audit Findings in Relation to Financial Statements-Continued**

**07-3 Segregation of Duties - Tribal Courts Program**

**Criteria or Specific Requirement:** Internal control policies and procedures should be in place to prevent one employee from receiving, recording and maintaining cash receipts.

**Condition:** One employee is responsible for the receiving, recording and maintenance of cash receipts for the program.

**Context:** Only one employee is responsible for recording the violation and resulting fine into the computer software, collecting fines received, recording receipts into the software, maintaining custody of the funds in an unlocked cash box in a file cabinet drawer, preparing the bank deposit information and submitting the bank deposit information to the general fund accountant for deposit. There is very little supervision over this entire process.

**Effect:** Cash receipts could be misappropriated fairly easily with little risk of detection.

**Cause:** There are only a few employees in the tribal courts program, which does not allow for an ideal segregation of duties.

**Auditors' Recommendations:** One employee should collect the cash and/or other payments, record the receipt of funds, sign off on the total amount received and transfer the funds and documentation to another employee. This employee should be responsible for entering the original violation and fine into the computer software, record the payments made into the software, maintain custody of the cash in a locked file cabinet drawer and transport the deposit to the general fund accountant.



**Saint Regis Mohawk Tribe**

**Schedule of Findings and Questioned Costs**

**Internal Control Deficiencies that are Significant Deficiencies**

**Year Ended December 31, 2007**

**2. Audit Findings in Relation to Financial Statements-Continued**

**07-4 Tribal Council Compensation**

**Criteria or Specific Requirement:** Internal Revenue Service, Revenue Ruling 59-354 provides the following guidance relative to Tribal Council compensation: Tribal Council are considered to be employees of the Tribe; however, salaries paid to them are treated differently. These amounts should be included in the Council member's gross income, although they do not technically constitute wages for purposes of the Federal Insurance Contributions Act (FICA) or federal withholding taxes. Form W-2 is required to be provided to Council members with the total compensation reported in Box 1.

**Condition:** Compensation paid to some Tribal Council members is not being reported as compensation on a W-2 form.

**Context:** Council members are paid \$1,500 (Chiefs) and \$1,250 (Sub-chiefs) on a weekly basis.

**Effect:** Compensation of Tribal Council members is not being properly reported.

**Cause:** Certain Tribal Council members have elected to not report their compensation.

**Auditors' Recommendations:** Tribal Council member compensation should be reported in accordance with the guidance provided by Internal Revenue Service, Revenue Ruling 59-354.

**07-5 Cash Management**

**Criteria or Specific Requirement:** Bank deposits need to be deposited into the correct bank accounts.

**Condition:** Bank deposits intended for the general fund bank account were deposited into a different Tribal bank account (the Mohawk Monticello Raceway Project account).

**Context:** Over a six-week time frame, deposits totaling \$1,927,293 were deposited into the Mohawk Monticello Raceway Project bank account instead of the general fund bank account.

**Effect:** Depositing cash into the wrong bank account can lead to insufficient funds and other bank charges that should be avoided.

**Cause:** The bookkeeper for the general fund used the Mohawk Monticello Raceway Project deposit slips to make the deposits referenced above.

**Auditors' Recommendations:** The person preparing the bank deposit slip needs to make sure that the proper bank account is being used.

**Saint Regis Mohawk Tribe**

**Schedule of Findings and Questioned Costs**

**Internal Control Deficiencies that are Significant Deficiencies**

**Year Ended December 31, 2007**

**2. Audit Findings in Relation to Financial Statements-Continued**

**07-6 Expenditures**

***Criteria or Specific Requirement:*** Proper documentation should be provided for all expenditures and all expenditures should be properly authorized.

***Condition:*** We made the following observations pursuant to our testing of credit card charges and other expenditures:

- The credit card charges for the New York Department of Motor Vehicles were not properly authorized.
- Four other credit card charges were not authorized and two other credit card charges were not properly supported.
- Three other expenditures were not properly supported.
- One other expenditure was not properly authorized.

***Context:*** We tested fifty-nine credit card charges totaling \$16,831, \$140 of which lacked proper supporting documentation and \$1,064 of which lacked proper approval. Additionally, we tested fifty-seven other expenditures totaling \$54,349, \$3,085 of which lacked proper supporting documentation and \$600 of which lacked proper approval.

***Effect:*** Cash disbursements could be issued for invalid or unauthorized expenditures.

***Cause:*** Procedures were not followed by personnel and records were not properly maintained.

***Auditors' Recommendations:*** Proper documentation and approval should be obtained for all credit card charges and other expenditures.

SAINT REGIS MOHAWK TRIBE

Schedule of Findings and Questioned Costs

Year Ended December 31, 2007

3. **Audit Findings and Questioned Costs in Relation to Federal Awards**

07-7 **Reporting-Indian Law Enforcement-Crime Statistical Reports**

***Federal program information:***

Funding agency: U.S. Department of Interior  
Title: Law Enforcement Program  
CFDA number: 15.030  
Award year and number: 2007-CTS5IT00770

***Criteria or Specific Requirement:*** Crime statistical reports are due to the granting agency ten days after the end of each month.

***Condition:*** The law enforcement program was not able to provide adequate documentation as to when the reports were submitted.

***Context:*** The reports are faxed into the granting agency; however, the fax confirmation was not available for all twelve months to determine the date that the report was submitted.

***Questioned Costs:*** None

***Effect:*** The law enforcement program may not be in compliance with grantor requirements related to crime statistical reports.

***Cause:*** The person responsible for preparing these reports does not always have enough time at the beginning of the month to get the reports submitted on time.

***Auditors' Recommendations:*** Monthly crime statistical reports should be prepared and submitted within ten days after the end of each month.

**SAINT REGIS MOHAWK TRIBE**  
**Schedule of Findings and Questioned Costs**  
**Year Ended December 31, 2007**

**3. Audit Findings and Questioned Costs in Relation to Federal Awards - Continued**

**07-8 Various Programs-Form 269A Reporting**

***Federal program information:***

Funding agency:	U.S. Department of Interior
Title:	Consolidated Tribal Government Program and Law Enforcement
CFDA number:	15.021 and 15.030
Award year and number:	2007-CTS51T00769 and 2007-CTS51T00770

***Criteria or Specific Requirement:*** Financial status reports, Form 269A, are required to be filed within thirty days after the reporting period ends.

***Condition:*** The fourth quarter financial status report for calendar year 2007, was not submitted until February 15, 2008 for the Consolidated Tribal Government Program and February 4, 2008 for the Law Enforcement Program.

***Context:*** We examined all forms 269A submitted for the audit period.

***Questioned Costs:*** None

***Effect:*** There could be possible delays in funding if grant reporting requirements are not met in a timely fashion.

***Cause:*** The program staff failed to submit the aforementioned reports within the stipulated time frame.

***Auditors' Recommendations:*** Expenditure reports should be prepared timely and sent to the federal agency within the appropriate time frame.

**SAINT REGIS MOHAWK TRIBE**

**Schedule of Findings and Questioned Costs**

**Year Ended December 31, 2007**

**3. Audit Findings and Questioned Costs in Relation to Federal Awards - Continued**

**07-9 Various Programs-Cash Management**

***Federal program information:***

Funding agency: U.S. Department of Health and Human Services,  
Environmental Protection Agency  
Title: Head Start, Childcare Development Block Grant, and  
Performance Partnership Grant  
CFDA number: 93.600, 93.575/93.596 and 66.605  
Award year and number: 2007-90CI4868/29, 2007-G07PBNY and 2007-BG99267202

***Criteria or Specific Requirement:*** Some of the tribal programs are requesting grant drawdowns in excess of current cash needs or not timely enough for current cash disbursement needs.

***Condition:*** The Head Start program had a material negative cash balance for three months and a material positive cash balance for two months, the Childcare program had a material negative cash balance for four months and the Performance Partnership program had a material positive cash balance for six months.

***Context:*** We tested each month during the program grant year, December 2006 to November 2007 for the Head Start program and the Performance Partnership program, October 2006 to September 2007 for the Childcare program and noted the exceptions listed above.

***Questioned Costs:*** None

***Effect:*** The program is not in compliance with the requirements that are set forth by the granting agencies.

***Cause:*** Personnel are not properly monitoring the grant-related cash needs versus the expenditures that are incurred.

***Auditors' Recommendations:*** The tribal program directors should request drawdowns based on current expenditure needs.

**SAINT REGIS MOHAWK TRIBE**

**Schedule of Findings and Questioned Costs**

**Year Ended December 31, 2007**

**3. Audit Findings and Questioned Costs in Relation to Federal Awards - Continued**

**07-10 Law Enforcement-Special Test-Character Background Investigation**

***Federal program information:***

Funding agency: U.S. Department of Interior  
Title: Law Enforcement  
CFDA number: 15.030  
Award year and number: 2007-CTS51T00770

***Criteria or Specific Requirement:*** All tribal law enforcement employees should have proper documents on file to verify character background investigations.

***Condition:*** Eight tribal law enforcement employees did not have documents to verify character background investigations were completed.

***Context:*** Ten law enforcement employees were selected to be tested for proper character background investigations.

***Questioned Costs:*** None

***Effect:*** The program is not in compliance with the requirements that are set forth by the granting agency.

***Cause:*** Procedures were not followed by personnel and records were not properly maintained.

***Auditors' Recommendations:*** All tribal law enforcement employees should have proper documents on file to verify character background investigations.

**SAINT REGIS MOHAWK TRIBE**  
**Schedule of Findings and Questioned Costs**  
**Year Ended December 31, 2007**

**3. Audit Findings and Questioned Costs in Relation to Federal Awards - Continued**

**07-11 Head Start-Eligibility**

***Federal program information:***

Funding agency:	U.S. Department of Health and Human Services
Title:	Head Start
CFDA number:	93.600
Award year and number:	2007-90CI1535/29

***Criteria or Specific Requirement:*** The following six items must be submitted by the participant according to program guidelines: an application form, parental agreement, a birth certificate, income verification documentation, immunization records and proof of service area.

***Condition:*** Three participants did not have a parental agreement on file, one participant did not have a birth certificate on file and four participants did not have tribal identification cards on file.

***Context:*** Twenty-five participants were tested and we noted the exceptions listed above.

***Questioned Costs:*** None

***Effect:*** The program is not in compliance with its program guidelines.

***Cause:*** Procedures were not followed by personnel and records were not properly maintained.

***Auditors' Recommendations:*** An application form, parental agreement, birth certificate, income documentation, immunization records and proof of service area should be properly maintained in the participant's file.

**SAINT REGIS MOHAWK TRIBE**

**Schedule of Findings and Questioned Costs**

**Year Ended December 31, 2007**

**3. Audit Findings and Questioned Costs in Relation to Federal Awards - Continued**

**07-12 Childcare Development Block Grant - Eligibility**

***Federal program information:***

Funding agency:	U.S. Department of Health and Human Services
Title:	Childcare Development Block Grant
CFDA number:	93.575/93.596
Award year and number:	2007-G07PBNY

***Criteria or Specific Requirement:*** The following items must be submitted by the participant to be eligible for Childcare Daycare provided by the program: Application, employee work verification, immunizations, tribal identification, parental agreement and application for sliding fee scale.

The following items must be submitted by the participant to be eligible for Childcare In-Home Daycare provided by the program: Application, tribal identification, verification of school schedule, income verification, documentation of co-payment amounts, documentation for subsidy amounts, immunization records, proof that residence is located in qualifying jurisdiction and birth certificate.

***Condition:*** The following exceptions were noted for Childcare Daycare: eleven participants did not have employee work verifications, two participants did not have proper immunization documentation, nine participants did not have a tribal identification and twelve participants did not have an application for sliding fee scale on file.

The following exceptions were noted for Childcare In-Home Daycare: thirteen participants were missing proper tribal identification, verification of school schedule, immunization records, and birth certificates.

***Context:*** We tested twelve Childcare Daycare participant files and thirteen Childcare In-Home Daycare participant files and noted the exceptions listed above.

***Questioned Costs:*** None

***Effect:*** The program is not in compliance with the requirements that are set forth by the granting agency.

***Cause:*** Procedures were not followed by personnel and records were not properly maintained.

***Auditors' Recommendations:*** The Childcare program should ensure that all participants have the required eligibility documentation properly maintained in its participant files.



SAINT REGIS MOHAWK TRIBE

Schedule of Findings and Questioned Costs

Year Ended December 31, 2007

3. **Audit Findings and Questioned Costs in Relation to Federal Awards - Continued**

07-13 **Tribal Health-Eligibility**

***Federal program information:***

Funding agency: U.S. Department of Health and Human Services  
Title: Tribal Health, Indian Health Services  
CFDA number: 93.210  
Award year and number: 2007-65G030081

***Criteria or Specific Requirement:*** The following items must be submitted by the participant to be eligible for tribal health benefits: tribal identification, social security card, proof of residency and consent to release medical information.

***Condition:*** Pursuant to our review of tribal health program participants, we noted the following exceptions: three participants did not have a valid tribal identification on file, nine participants did not have a social security card on file, one participant did not have proper proof of residence on file and two participants did not have a proper consent form on file.

***Context:*** We tested twenty-five of the tribal health participants' files and noted the exceptions that are listed above.

***Questioned Costs:*** None

***Effect:*** By not having proper documentation, the Tribe could have provided services funded by grant money to ineligible individuals.

***Cause:*** Procedures were not followed by personnel and records were not properly maintained.

***Auditors' Recommendations:*** The tribal health program should ensure that all participants have the required eligibility documentation properly maintained in their participant file.

**SAINT REGIS MOHAWK TRIBE**

**Schedule of Findings and Questioned Costs**

**Year Ended December 31, 2007**

**3. Audit Findings and Questioned Costs in Relation to Federal Awards - Continued**

**07-14 Adult Vocational Training - Eligibility**

***Federal program information:***

Funding agency: U.S. Department of Interior  
Title: Consolidated Tribal Government Program  
CFDA number: 15.021  
Award year and number: 2007-CTS51T00769

***Criteria or Specific Requirement:*** Participation in the Adult Vocational Training program is determined by the Tribe. The following five items must be submitted by the participants to be eligible: an application, proof of tribal enrollment, an official transcript, a financial aid determination form, a personal letter.

***Condition:*** We reviewed five participant files and noted the following:

One participant file did not contain an official transcript and the proof of tribal enrollment was dated in the year (2008) subsequent to program participation. Another participant file did not contain an official transcript. One participant file contained a blank financial aid determination form. Lastly, one participant file contained a blank financial aid determination form and did not contain an official transcript because the participant was seeking a GED designation.

***Context:*** There were approximately sixteen participants in the Adult Vocational Training program during 2007. We selected five random participant files for testing.

***Questioned Costs:*** None

***Effect:*** By not obtaining all required documentation, the Tribe could have given grant money to participants that were not qualified.

***Cause:*** Participant payments were processed prior to determining that all necessary paperwork was submitted and documented in the file.

***Auditors' Recommendations:*** We recommend the Tribe obtain the proper documentation for each participant prior to processing any payments on behalf of that participant. Conversely, the Tribe could modify the list of items required from participants in order to seek assistance through the program.

SAINT REGIS MOHAWK TRIBE

Schedule of Findings and Questioned Costs

Year Ended December 31, 2007

3. **Audit Findings and Questioned Costs in Relation to Federal Awards - Continued**

07-15 **Childcare Development Block Grant - Reporting**

***Federal program information:***

Funding agency:	U.S. Department of Health and Human Services
Title:	Childcare Development Block Grant
CFDA number:	93.575/93.596
Award year and number:	2007-G07PBNY

***Criteria or Specific Requirement:*** Financial status report, Form ACF-696T, is required to be filed within ninety days following the end of the grant fiscal year.

***Condition:*** The report was due December 29, 2007 and was submitted on January 28, 2008.

***Context:*** We examined the yearly Form ACF-696T filed by the program.

***Questioned Costs:*** None

***Effect:*** There could be possible delays in funding if grant reporting requirements are not met in a timely fashion.

***Cause:*** The program staff failed to submit the form ACF-696T by the stipulated due date.

***Auditors' Recommendations:*** Reports should be prepared timely and sent to the federal agency within the appropriate time frame.

**SAINT REGIS MOHAWK TRIBE**

**Schedule of Findings and Questioned Costs**

**Year Ended December 31, 2007**

**3. Audit Findings and Questioned Costs in Relation to Federal Awards - Continued**

**07-16 Various Programs-Equipment and Property Management**

***Federal program information:***

Funding agency: U.S. Department of Interior, Environmental Protection Agency and U.S. Department of Health and Human Services

Title: Consolidated Tribal Government Program, Law Enforcement, Performance Partnership Grant, Indian Health Compact, Childcare Development Block Grant and Head Start

CFDA number: 15.021, 15.030, 66.605, 93.210, 93.575/93.596 and 93.600

Award year and number: 2007-CTS51T00769, 2007-CTS51T00770, 2007-BG99267202, 2007-65G030081-5-08, 2007-G07PBNY and 2007-90C11535/29

***Criteria or Specific Requirement:*** The federal compliance supplement states, "Equipment records shall be maintained, a physical inventory of equipment shall be taken at least once every two years and reconciled to equipment records, an appropriate control system shall be used to safeguard equipment, and equipment shall be adequately maintained."

***Condition:*** The Consolidated Tribal Government Program, Law Enforcement Program, Performance Partnership Grant Program, Indian Health Compact Program, Childcare Program and Head Start Program were unable to provide documentation that a fixed asset physical inventory was completed for the audit year.

***Context:*** We requested a capital asset inventory listing and reviewed account detail for capital asset purchases.

***Questioned Costs:*** None

***Effect:*** Capital assets may be missated. If a capital asset listing is not updated at least biannually with a physical inventory, the programs have a greater risk of asset misappropriation.

***Cause:*** The programs failed to conduct a physical inventory of fixed assets to compare to the amount recorded in the accounting records.

***Auditors' Recommendations:*** Management should ensure that an appropriate control system is in place for the safeguarding of assets. A physical inventory of assets should be taken at least once every two years and reconciled to the capital asset inventory schedules.

**SAINT REGIS MOHAWK TRIBE**

**Schedule of Findings and Questioned Costs**

**Year Ended December 31, 2007**

**3. Audit Findings and Questioned Costs in Relation to Federal Awards - Continued**

**07-17 Childcare Development Block Grant - Program Income**

***Federal program information:***

Funding agency: U.S. Department of Health and Human Services  
Title: Childcare Development Block Grant  
CFDA number: 93.575/93.596  
Award year and number: 2007-G07PBNY

***Criteria or Specific Requirement:*** Internal control policies and procedures should be in place and functioning to allow for the complete and timely receipt and recording of cash collections.

***Condition:*** We were unable to trace the pre-numbered receipts issued by the daycare program to the actual bank deposit made into the Tribes' bank account.

***Context:*** We selected seven individual pre-numbered receipts to trace through the entire receipting and depositing process. Those seven receipts totaled \$2,150. Program income recorded in the accounting records for the audit year was approximately \$153,000.

***Questioned Costs:*** None

***Effect:*** There is a possibility that payments made by customers could be misappropriated.

***Cause:*** The system as it is currently established does not allow for the tracing of individual cash receipts into the actual depositing of cash at the bank.

***Auditors' Recommendations:*** We recommend that the Tribe develop policies and procedures for those programs that are not located at the Tribal headquarters and that are handling their own payment processing, billing, and collections.

**SAINT REGIS MOHAWK TRIBE**

**Schedule of Findings and Questioned Costs**

**Year Ended December 31, 2007**

**3. Audit Findings and Questioned Costs in Relation to Federal Awards - Continued**

**07-18 Various Programs-Allowable Costs**

***Federal program information:***

Funding agency: U.S. Department of Interior, Environmental Protection Agency, and U.S. Department of Health and Human Services

Title: Law Enforcement Program, Performance Partnership Grant, and Tribal Health

CFDA number: 15.030, 66.605, and 93.210

Award year and number: 2007-CTS5IT00770, 2007-BG99267202, and 2007-65G030081

***Criteria or Specific Requirement:*** Proper documentation should be provided for all expenditures and all expenditures should be properly authorized.

***Condition:*** Four credit card charges were not properly authorized for the Law Enforcement program. One credit card charge was not properly authorized for the Performance Partnership Grant program. Two credit card charges were not properly authorized for the Tribal Health program.

***Context:*** We selected twenty six credit card charges, totaling \$6,151, that were applicable to major federal programs.

***Questioned Costs:*** < \$10,000

***Effect:*** Cash disbursements could be issued for improper or unauthorized expenditures.

***Cause:*** Procedures were not followed by personnel and records were not properly maintained.

***Auditors' Recommendations:*** Proper documentation and approval should be obtained for all credit card charges.



# Saint Regis Mohawk Tribe

Seskehko:wa/September 19, 2008.

Chief Barbara A. Lazore  
Chief James W. Ransom  
Chief Monica M. Jacobs  
Sub-Chief Stacy A. Adams  
Sub-Chief Ronald LaFrance Jr.  
Sub-Chief Pamela D. Brown

Joseph Eve Group,  
Certified Public Accountants,  
401 North 31st Street,  
Suite 1600,  
Billings, Montana.

Dear Ms. Madden,

The St. Regis Mohawk Tribe is in receipt of the Draft Audit for calendar year ending December 31, 2007. We offer the following remedies to address the Schedule of Findings;

#### 07-1 Capital Assets

*Condition: Pursuant to our review of the Tribe's capital assets and related internal controls, we noted that a physical inventory has not been conducted for either of the past two years.*

**Plan of Action:** We are in the process of sending out RFP's to engage a firm to assist us in performing a comprehensive physical inventory before year end. Our policy states that we do a physical inventory at least once a year. The date for initiating the physical inventory has moved up in order to complete the extensive inspection in a timely manner.

#### 07-2 Recordkeeping – Akwesasne Petroleum Cooperative

*Condition: Most of the expenditures that were tested did not have proper authorization and proper support.*

**Plan of Action:** The Compliance Department of the St. Regis Mohawk Tribe has met with both the Tribal Council and the Akwesasne Petroleum Co-op, and has recommended that payments be sent directly to the Co-op, thus removing the St. Regis Mohawk Tribe from the process and eliminating the Co-op as a Tribal affiliate.

#### 07-3 Tribal Courts Program

*Condition: One employee is responsible for the receiving, recording and maintenance of cash receipts.*

**Plan of Action:** An additional employee was hired by the Tribal Courts and will be instrumental in segregating the duties associated with cash receipts. Procedures to properly reconcile accounts receivable balances in a timely manner are being prepared.

#### 07-4 Tribal Council Compensation

*Condition: Compensation paid to some Tribal Council members is not being reported as compensation on a W-2 form.*

**Plan of Action:** Some Tribal Council members have elected not to receive W-2's. We have met with them to explain the finding and it has not yet been resolved.

#### 07-5 Cash Management

*Condition: Bank deposits intended for the general fund bank account were deposited into the Mohawk Monticello Raceway Project bank account.*

412 State Route 37  
Akwesasne, New York 13665  
Phone: 518-358-2272  
Fax: 518-358-5205

**Helping Build A Better Tomorrow**

**Plan of Action:** The employee involved has been apprised of the situation and every effort will be taken to ensure that this does not occur again.

**07-6 Expenditures**

*Condition: We made the following observations pursuant to our testing of credit card charges and other expenditures: the credit card charges for the New York Department of Motor Vehicles were not properly authorized; four other credit card charges were not authorized and two other credit card charges were not properly supported; three other expenditures were not properly supported; one other expenditure was not properly authorized.*

**Plan of Action:** Proper documentation and approval will be obtained for all credit card charges and other expenditures. A memo will be sent out reminding staff of this performance and policy expectation.

**07-7 Reporting-Indian Law Enforcement-Crime Statistical Reports**

*Condition: The law enforcement program was not able to provide adequate documentation as to when the reports were submitted.*

**Plan of Action:** The St. Regis Mohawk Tribe's Law Enforcement Dept. currently faxes monthly crime statistics to the BIA District VI Office in Nashville, Tennessee. However, there have been times when these reports were submitted late. To address this audit finding, we will file copies of submitted monthly reports for two years before disposing.

**07-8 Various Programs-Form 269A Reporting**

*Condition: The fourth quarter financial status report for calendar year 2007, was not submitted until February 15, 2008 for the Consolidated Tribal Government Program and February 4, 2008 for the Law Enforcement Program.*

**Plan of Action:** All financial reports are submitted to the St. Regis Mohawk Tribe's Finance Director or Senior Accountant to monitor the accuracy and timely submission of quarterly, monthly, semi-annual and annual reports. Encumbrance reports are attached to the reports to verify the accuracy.

**07-9 Various Programs-Cash Management**

*Condition: the Head Start program had a material negative cash balance for three months and a material positive cash balance for two months, the Child Care program had a material negative cash balance for four months and the Performance Partnership program had a material positive cash balance for six months.*

**Plan of Action:** Draw-downs are done on a monthly basis and a cash management schedule is prepared by each program accountant to be submitted to the Senior Accountant for review to determine that the draw-downs don't exceed the program cash needs.

**07-10 Law Enforcement-Special Test-Character Background Investigation**

*Condition: Eight tribal law enforcement employees did not have documents to verify character background investigations.*

**Plan of Action:** Each officer has a copy of their background investigation in their personnel file, except any officer who was hired after 2004. All officers hired after this date have a background investigation completed by the New York State Police as a part of their NYS Certification. For the new officers, a copy of their NYS Certification is included in their file. NYS retains all copies of the background checks that are performed on our officers. NYS will not issue a Certification letter to anyone who does not pass a background check.

**07-11 Head Start Eligibility**

*Condition: Three participants did not have a parental agreement on file, one participant did not have a birth certificate on file and four participants did not have tribal identification cards on file.*



September 19, 2008

**Plan of Action:** An application form, parental agreement, birth certificate, income documentation, immunization records and proof of service area will be properly maintained in all participants' files as per St. Regis Mohawk Tribe Head Start Eligibility policy. A memo will go out to the program to remind them of these criteria and policy expectation.

**07-12 Child Care Development Block Grant – Eligibility**

*Condition: The following exceptions were noted for Child Care Day Care: eleven participants did not have employee work verifications, two participants did not have proper immunization documentation, nine participants did not have a tribal identification and twelve participants did not have an application for sliding fee scale on file.*

*The following exceptions were noted for Child Care In-Home Day Care: thirteen participants were missing proper tribal identification, verification of school schedule, immunization records, and birth certificates.*

**Plan of Action:** The St. Regis Mohawk Tribe's Child Care program takes great strides to ensure that all participants have the required eligibility documentation properly maintained in its participant files prior to providing access to services. At the present time the program sends out letters letting participants know what's missing from their files. Families are given a date to submit the information, or services are suspended until information comes in. For in-home daycare, at the time of re-certification participants are given a date when the information needs to be turned in. If it's not, subsidy is suspended until documentation is submitted. A memo will be provided to the program reminding them of this future performance and policy reinforcement expectation.

**07-13 Tribal Health Eligibility**

*Condition: Pursuant to our review of tribal health program participants, we noted the following exceptions: three participants did not have a valid tribal identification on file, nine participants did not have a social security card on file, one participant did not have proper proof of residence on file and two participants did not have a proper consent form on file.*

**Plan of Action:** The tribal health program will ensure that all participants have the required eligibility documentation properly maintained in their participant file prior to providing them access to tribal health care benefits or will modify their existing listing of minimum required eligibility documentation required in order to offer access to services. A memo will be sent to the staff to remind them of these criteria and policy expectation.

**07-14 Adult Vocational Training - Eligibility**

*Condition: We reviewed five participant files and noted the following: one participant file did not contain an official transcript and the proof of tribal enrollment was dated in the year (2008) subsequent to program participation, one participants file did not contain an official transcript, one participants file contained a blank financial aid determination form, and another participants file contained a blank financial aid determination form and did not contain an official transcript because the participant was seeking a GED designation.*

**Plan of Action:** The Adult Vocational Training Program will modify the list of items (documentation) required from participants in order to seek assistance through the program and will adjust its existing policies accordingly.

**07-15 Child Care Development Block Grant - Reporting**

*Condition: The report was due December 29, 2007 and was submitted on January 28, 2008.*

**Plan of Action:** Reports will be prepared in a timely fashion and sent to the federal agency within the appropriate time frame.

**07-16 Various Programs-Equipment and Property Management**

*Condition: The Consolidated Tribal Government Program, Law Enforcement Program, Performance Partnership Grant Program, Indian Health Compact Program, Child Care Program and Head Start Program were unable to provide documentation that a fixed asset physical inventory was completed for the audit year.*

September 19, 2008

**Plan of Action:** Management will ensure that an appropriate control system is in place for the safeguarding of assets. A physical inventory of assets will be taken at least once every two years and reconciled to the capital asset inventory schedules. Annual inventory of program capital assets is done by the St. Regis Mohawk Tribe's Procurement Office. An inventory will be conducted annually for all programs with copies of the results being sent to all applicable programs. Sensitive items, such as guns, will be inventoried and procurement will work with law enforcement on this issue. As referred to in section 07-1, we are in the process of sending out RFP's to engage a firm to assist us in performing a comprehensive physical inventory before year end.

**07-17 Child Care Development Block Grant – Program Income**

*Condition: We were unable to trace the pre-numbered receipts issued by the daycare program to the actual bank deposit made into the Tribe's bank account.*

**Plan of Action:** Cash is no longer taken at the program level; depositor's are sent directly to the Accounting Dept. where a receipt is issued immediately. The revenue is reconciled on a monthly basis.

**07-18 Various Programs – Allowable Costs**

*Condition: Four credit card charges were not properly authorized for the Law Enforcement program. One credit card charge was not properly authorized for the Performance Partnership Grant program. Two credit card charges were not properly authorized for the Tribal Health program.*

**Plan of Action:** All of the aforementioned credit card charges did have adequate documentation and were submitted to the auditors. We therefore disagree with this finding and wish to dispute it.

Please contact me if you require and further information or clarification on any of my statements.

Sincerely,



Dawn Thompson,  
Executive Director.

Cc Tribal Council  
Chief Financial Officer  
Asst. Executive Director  
Finance Director

**SAINT REGIS MOHAWK TRIBE  
Akwesasne, New York**

**Summary of Prior Year Audit Findings**

**December 31, 2007**

The following summarizes the prior year audit findings and corrective action taken:

- 06 - 1      Capital assets - Partially Implemented, see management's corrective action**
- 06 - 2      Recordkeeping - Akwesasne Petroleum Cooperative - Not Implemented, see management's corrective action**
- 06 - 3      Tribal Council Compensation - Not Implemented, see management's corrective action**
- 06 - 4      Higher Education - Eligibility - Implemented**
- 06 - 5      Adult Vocational Training - Eligibility - Not Implemented, see management's corrective action**
- 06 - 6      Indian Health Service - Eligibility - Not Implemented, see management's corrective action**
- 06 - 7      Headstart - Eligibility - Not Implemented, see management's corrective action**
- 06 - 8      Workforce Investment Act - Eligibility - Implemented**
- 06 - 9      Expenditure Testing - Allowable Costs - Partially Implemented, see management's corrective action**
- 06 - 10     Johnson O'Malley - Eligibility - Implemented**