

**SAINT REGIS MOHAWK TRIBE**  
**Financial and Compliance Audit Report**  
**Year Ended December 31, 2008**

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# SAINT REGIS MOHAWK TRIBE

## Table of Contents

	<u>Page</u>
<b>Independent Auditors' Report</b> .....	4
<b>Management's Discussion and Analysis</b> .....	6
<b><u>Audited Financial Statements</u></b>	
Tribe Wide Financial Statements	
Statement of Net Assets .....	20
Statement of Activities .....	21
Governmental Fund Financial Statements	
Balance Sheet - Governmental Funds.....	23
Reconciliation of Governmental Fund Balances to the Statement of Net Assets.....	23
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds.....	24
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities.....	25
Proprietary Fund Financial Statements	
Statement of Net Assets - Proprietary Funds.....	26
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds.....	28
Statement of Cash Flows - Proprietary Funds.....	30
Fiduciary Fund Financial Statements	
Statement of Fiduciary Net Assets.....	34
Statement of Changes in Fiduciary Net Assets .....	35
Notes to the Financial Statements .....	36
<b><u>Supplemental Information and Single Audit Reports</u></b>	
Required Supplementary Information	
Budgetary Comparison Schedule - General Fund.....	61
Other Supplementary Information	
Schedule of Expenditures of Federal Awards.....	62
Notes to Supplementary Schedule of Expenditures of Federal Awards.....	67
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	68

**SAINT REGIS MOHAWK TRIBE**

**Table of Contents - Continued**

	<u>Page</u>
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.....	70
Schedule of Findings and Questioned Costs.....	72
Corrective Action Plan.....	83
Summary Schedule of Prior Year Audit Findings.....	89

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying 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, as of and for the year ended December 31, 2008, 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 20 percent and .5 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, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 6 through 18 and 61, 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 July 21, 2009 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  
*Certified Public Accountants*

**Great Falls, Montana  
July 21, 2009**

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

## SAINT REGIS MOHAWK TRIBE

### MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2008

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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, 2008. 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 2008 and 2007 are as follows:

- The Tribe's financial status continues to be fiscally stable. As of December 31, 2008 and 2007, net assets were 45% and 40% of total assets respectively.
- During the year, the Tribe's total net assets increased by \$8,923,718, a 20% increase. Net assets of government activities decreased by \$7,158,195 mainly due to a reduction in restricted funds of \$1,447,160 relating to the payment of community assistance – fuel and a transfer of pre-development capital costs to the Akwesasne Mohawk Casino in the amount of \$4,765,293 and business-type activities increased by \$16,081,913 mainly attributed to four major capital projects at the Akwesasne Mohawk Casino totaling \$43,112,434 less increased debt of \$25,136,616.
- For the years ended December 31, 2008 and 2007, overall government-wide revenues were \$140,071,247 and \$130,873,369 respectively. The increased revenues in 2008 were a result of increased business at the Akwesasne Mohawk Casino and the addition of First Americans Food Store, LLC.
- For the years ended December 31, 2008 and 2007, overall government-wide expenditures were \$131,147,529 and \$117,828,238 respectively. Expenses of the Tribe's government activities were \$42,553,201 and \$38,956,935 for the years ended December 31, 2008 and 2007 respectively.
- Business-type activities had revenues and transfers to governmental activities of \$104,676,241 compared with expenses of \$88,594,328. Revenues exceeded expenses and transfers to governmental activities this year by \$16,081,913. This gain is primarily due to the increased revenues at the Akwesasne Mohawk Casino of \$16,503,943, the addition of \$5,814,401 in revenues from the First Americans Food Store, LLC, the capital contribution from the General Fund of \$4,765,293 and increased expenses of \$9,723,025.

# SAINT REGIS MOHAWK TRIBE

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2008

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### Capital Projects

- In September 2008 the Tribe finished the construction of a new waterline that will dramatically improve the Tribe's water system and overall infrastructure. The waste water treatment plant was upgraded in 2008 to greatly expand the capacity and construction began on the Racquette Point road improvements.
- Future Tribe capital projects will continue to concentrate on completing key road improvements, phase 1 of the sewer line extension and an upgrade to the water treatment plant to increase capacity for future expansion.
- In 2008 the Casino increased the slot machine count to 1,600. In addition, a \$60 million dollar expansion of the facility was approved with construction having begun in November 2007 and a completion date of late 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 three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. 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, 2008

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 and a grocery store.	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**

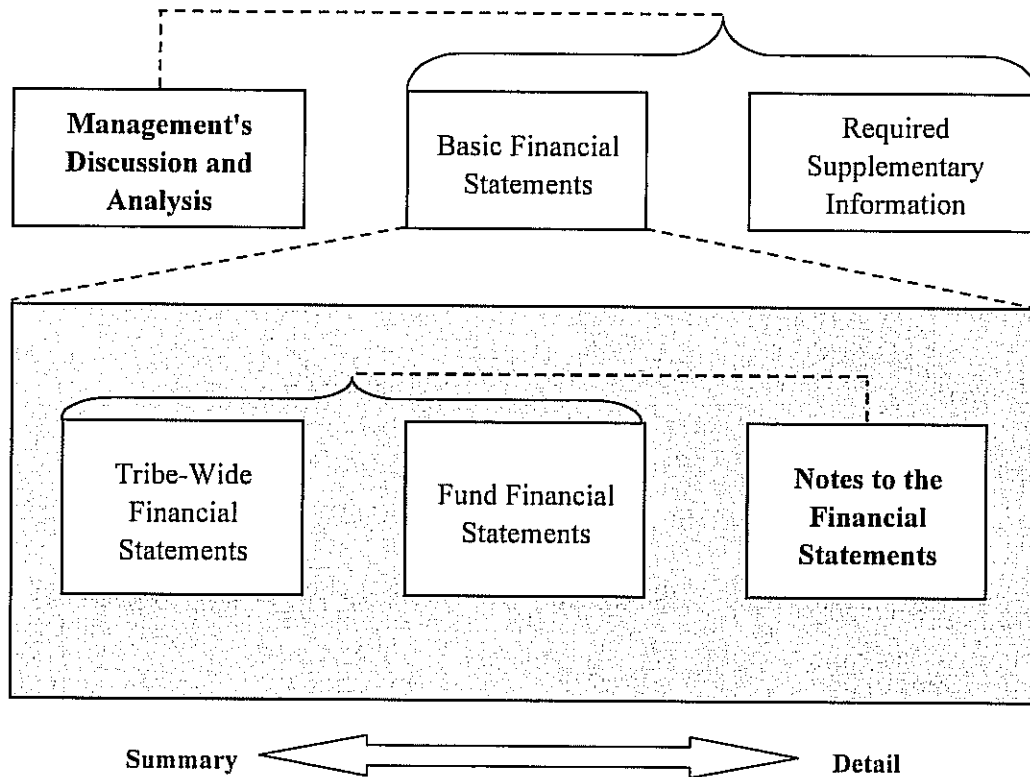
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Year Ended December 31, 2008**

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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**



# SAINT REGIS MOHAWK TRIBE

## MANAGEMENT'S DISCUSSION AND ANALYSIS Year Ended December 31, 2008

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### 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.

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 financed 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 business 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. The Akwesasne Housing Authority is a tribally designated housing entity under NAHASDA. In April of 2008 the Tribe purchased the First Americans Food Store, LLC, a grocery store in the territory of Akwesasne.

# SAINT REGIS MOHAWK TRIBE

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2008

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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, 2008 amounted to \$77,412,360. Table 2 provides a summary of the Tribe's net assets as of December 31, 2008. The Tribe's combined net assets increased by \$8,923,718 (20%) during the year. Governmental net assets decreased by \$7,158,195 and net assets of business activities increased by \$16,081,913.

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, 2008**

**TABLE 2 – SCHEDULE OF NET ASSETS**

	2008			2007
	Governmental Activities	Business-Type Activities	Total	Total
Current and other assets	\$ 14,797,356	\$ 37,971,283	\$ 52,768,639	\$ 53,915,310
Capital and noncurrent assets	19,753,767	95,855,463	115,609,230	60,068,477
<b>Total assets</b>	<b>\$ 34,551,123</b>	<b>\$ 133,826,746</b>	<b>\$ 168,377,869</b>	<b>\$ 113,983,787</b>
Long-term debt outstanding	\$ 401,455	\$ 42,592,863	\$ 42,994,318	\$ 31,196,579
Other liabilities	6,031,878	41,939,313	47,971,191	37,400,953
<b>Total liabilities</b>	<b>6,433,333</b>	<b>84,532,176</b>	<b>90,965,509</b>	<b>68,597,532</b>
Net assets (deficit)				
Invested in capital assets, net of related debt	19,238,216	50,640,878	69,879,094	59,434,804
Restricted	100,893		100,893	1,447,160
Unrestricted	8,778,681	(1,346,308)	7,432,373	(15,495,709)
<b>Total net assets (deficit)</b>	<b>28,117,790</b>	<b>49,294,570</b>	<b>77,412,360</b>	<b>45,386,255</b>
	<b>\$ 34,551,123</b>	<b>\$ 133,826,746</b>	<b>\$ 168,377,869</b>	<b>\$ 113,983,787</b>

**Governmental Activities**

**Revenues/Expenditures**

The Tribe had a decrease in net assets in 2008. This decrease is directly linked to a transfer of capital assets in the amount of \$4,765,203 to the Akwesasne Mohawk Casino, a reduction of gaming transfers of \$5,500,000 over 2007 and an increase due to the purchase of the First Americans Food Store, LLC. Total revenues for the year were \$35,395,006 compared with expenses of \$42,553,201. Table 3 summarizes the Tribe's changes in net assets for the year.

The expenditures for Governmental Activities were \$42,553,201 for 2008. In addition to providing general community service and programs (26% of total expenditures), the Tribe operates a clinic and provides healthcare services to Tribal members which accounts for 28% 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 \$15,000,000 from the Akwesasne Mohawk Casino and the Mohawk Bingo Palace to governmental activities.

Revenues from grants and contracts including capital contributions were \$19,499,529 an increase of \$1,239,442 over the previous year. This change resulted primarily from an increase in capital contributions.

**SAINT REGIS MOHAWK TRIBE**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Year Ended December 31, 2008**

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**Governmental Activities (Continued)**

**Revenue/Expenditures (Continued)**

Investment loss of (\$167,452) was less than the \$496,483 recorded in the previous year. The decreased income resulted from the volatile stock market and lower interest rates.

**Business-Type Activities**

The Mohawk Bingo Palace had revenues of \$19,838,724 and expenses of \$12,869,654 for a profit of \$6,969,070 before transfers of \$6,000,000 to the General Fund for the year ended December 31, 2008. The decreased gaming revenue is attributed mainly to a decrease in Class II video gaming revenue, mainly due to the expansion of 775 slot machines at the Akwesasne Mohawk Casino, as well as decreased 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 \$81,867,187 and expenses of \$66,076,595 for a profit of \$15,790,592 before transfers of \$9,000,000 to the General Fund. In 2008 we saw continued expansion at the Akwesasne Mohawk Casino with the addition of 775 slot machines and continued construction on the expansion.

The Akwesasne Housing Authority had revenues of \$2,456,821 and expenses of \$2,824,990 for a loss of \$368,169.

The First Americans Food Store, LLC had revenues of \$5,814,401 and expenses of \$6,506,141 for a loss of \$691,740. This is mainly attributable to the costs associated with the purchase of the store, depreciation and interest expense.

SAINT REGIS MOHAWK TRIBE

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2008

TABLE 3 – CHANGES IN NET ASSETS

	Governmental Activities	2008 Business-Type Activities	Total	Percent
<b>Revenues</b>				
<b>Program</b>				
Gaming	\$	\$ 101,705,911	\$ 101,705,911	72.6
First Americans Food Store		5,814,401	5,814,401	4.2
Other charges for services	5,232,087		5,232,087	3.6
Housing Authority		542,070	542,070	0.4
Operating grants and Contributions	18,179,115	1,914,751	20,093,866	14.3
Capital contributions	1,320,414		1,320,414	1.0
Debt Cancellation		520,950	520,950	0.4
Investments	(167,452)	184,418	16,966	0.1
Other	1,404,113	(80,445)	1,323,668	0.9
Transfers	5,925,815	(5,925,815)	(0)	0.0
Taxes and fees	3,500,914		3,500,914	2.5
<b>Total revenues</b>	<b>35,395,006</b>	<b>104,676,241</b>	<b>140,071,247</b>	<b>100.00</b>
<b>Expenses</b>				
<b>Primary Government</b>				
Education	1,941,473	-	1,941,473	1.5
Environment	1,615,379	-	1,615,379	1.2
General government	16,504,533	-	16,504,533	12.6
Health	11,724,573	-	11,724,573	8.9
Human services	4,060,963	-	4,060,963	3.1
Public safety	2,780,003	-	2,780,003	2.1
Roads and highways	534,864	-	534,864	0.4
Welfare	1,980,969	-	1,980,969	1.5
Unallocated depreciation expense	999,769	-	999,769	0.8
Other	410,675	88,594,328	89,005,003	67.9
<b>Total expenses</b>	<b>42,553,201</b>	<b>88,594,328</b>	<b>131,147,529</b>	<b>100.00</b>
<b>Increase (decrease) in net assets</b>	<b>\$ (7,158,195)</b>	<b>\$ 16,081,913</b>	<b>\$ 8,923,718</b>	

SAINT REGIS MOHAWK TRIBE

MANAGEMENT'S DISCUSSION AND ANALYSIS  
 Year Ended December 31, 2008

TABLE 3 – CHANGES IN NET ASSETS (CONTINUED)

Revenues Program	2007		Total	Percent
	Governmental Activities	Business-Type Activities		
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, 2008**

**General Fund Budgetary Highlights**

The overall budget variance of excess revenues over expenses was unfavorable for the fiscal year by \$951,987.

The revenue was over budget by \$78,760 and is mainly attributed to an increase in fees and fines collected of \$127,122, unbudgeted payments from SRMT Builders, LLC and Empire Resorts totaling \$121,200 and donations to the Community Partnership Fund in the amount of \$280,000. However, due to the downturn in the financial market investment income was \$436,726 less than budgeted.

Total expenses were also over budget by \$1,030,747. This is due to a change in the Heating Supplement program to include all registered Tribal members rather than just elderly and disabled. The amount exceeded the budget by \$701,432. In addition, an unbudgeted equity transfer was made to First Americans Food Store, LLC in the amount of \$4,349,873.

**Capital Asset and Debt Administration**

**Capital Assets**

At December 31, 2008, the Tribe had \$113,810,066 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	
	2008	2007	2008	2007	2008	2007
Land and Improvements	\$ 965,576	\$ 958,486	\$ 31,408,163	\$ 2,310,271	\$ 32,373,739	\$ 3,268,757
Construction in progress	2,777,321	9,078,418	14,279,790	2,827,284	17,057,111	11,905,702
Buildings and improvements	11,891,141	11,652,292	48,097,479	42,224,612	59,988,620	53,876,904
Equipment	2,118,094	1,896,840	2,215,797	714,732	4,333,891	2,611,572
Vehicles	2,495,829	2,155,689	224,984	224,984	2,720,813	2,380,673
Water system network	7,269,140	4,227,998			7,269,140	4,227,998
Furn. & Equip.			37,363,458	21,975,947	37,363,458	21,975,947
Accumulated Depreciation	(7,763,334)	(6,787,764)	(39,533,372)	(33,011,159)	(47,296,706)	(39,798,923)
Totals	\$ 19,753,767	\$ 23,181,959	\$ 94,056,299	\$ 37,266,671	\$ 113,810,066	\$ 60,448,630

**SAINT REGIS MOHAWK TRIBE**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Year Ended December 31, 2008**

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**Capital Assets - Continued**

The increase in Business-Type Activities is a direct result of the continued expansion at the Akwesasne Mohawk Casino and the purchase of the First Americans Food Store, LLC.

In 2007 Casino expansion costs were recorded as Construction in progress under Government Activities and were 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 \$44,643,807 in outstanding notes payable and long-term debt compared to \$8,261,373 last year. The main reason for the increase in the notes payable is due to the credit facility associated with the expansion at the casino.

**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 2009 budget is based on December 31, 2008 actual revenues and expenses instead of the prior year budget. Budgeted net income in 2009 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 2008 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, 2008**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 8,848,343	\$ 24,137,032	\$ 32,985,375
Restricted cash	100,893	6,798,637	6,899,530
Investments	2,196,729	5,526,651	7,723,380
Inventory		1,334,366	1,334,366
Accounts receivable, net	918,087	103,384	1,021,471
Prepaid expenses	5,711	306,849	312,560
Due from other governments	2,394,858	60,000	2,454,858
Internal balances	325,242	(325,242)	
Other current assets	7,493	29,606	37,099
<b>Total current assets</b>	<b>14,797,356</b>	<b>37,971,283</b>	<b>52,768,639</b>
<b>Noncurrent assets</b>			
Capital assets, net	19,753,767	94,056,299	113,810,066
Organizational costs, net		70,337	70,337
Loan fees, net		1,728,827	1,728,827
<b>Total noncurrent assets</b>	<b>19,753,767</b>	<b>95,855,463</b>	<b>115,609,230</b>
<b>Total assets</b>	<b>34,551,123</b>	<b>133,826,746</b>	<b>168,377,869</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable	1,652,601	16,699,004	18,351,605
Accrued liabilities	1,451,413	9,466,135	10,917,548
Gaming liabilities		1,734,273	1,734,273
Deposits payable		3,500	3,500
Revenue sharing payable		2,850,820	2,850,820
Deferred revenue	2,813,768	6,093,893	8,907,661
Current portion of long-term debt	110,241	5,091,688	5,201,929
Current portion of capital leases	3,855		3,855
<b>Total current liabilities</b>	<b>6,031,878</b>	<b>41,939,313</b>	<b>47,971,191</b>
<b>Noncurrent liabilities</b>			
Notes payable	386,227	38,999,909	39,386,136
Other liabilities		2,135,572	2,135,572
Compensated absences		36,659	36,659
Homebuyer escrow		1,420,723	1,420,723
Capital lease obligation	15,228		15,228
<b>Total liabilities</b>	<b>6,433,333</b>	<b>84,532,176</b>	<b>90,965,509</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	19,238,216	50,640,878	69,879,094
Restricted for:			
Lease purchase agreement	100,893		100,893
Unrestricted	8,778,681	(1,346,308)	7,432,373
<b>Total net assets</b>	<b>\$ 28,117,790</b>	<b>\$ 49,294,570</b>	<b>\$ 77,412,360</b>

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

**Primary Government**

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (11,795,140)		\$ (11,795,140)
(119,347)		(119,347)
(716,222)		(716,222)
(180,855)		(180,855)
(1,828,444)		(1,828,444)
(1,088,255)		(1,088,255)
(654,342)		(654,342)
(5,344)		(5,344)
(159,029)		(159,029)
(230,496)		(230,496)
(44,342)		(44,342)
<u>(999,769)</u>		<u>(999,769)</u>
<u>(17,821,585)</u>		<u>(17,821,585)</u>
	\$ 6,969,070	6,969,070
	15,790,592	15,790,592
	(691,740)	(691,740)
	(368,169)	(368,169)
	<u>(316,948)</u>	<u>(316,948)</u>
<u>0</u>	<u>21,382,805</u>	<u>21,382,805</u>
<u>(17,821,585)</u>	<u>21,382,805</u>	<u>3,561,220</u>
2,568,510		2,568,510
(167,452)	184,418	16,966
699,253		699,253
52,151		52,151
181,000		181,000
1,340,001	159,555	1,499,556
	520,950	520,950
	(240,000)	(240,000)
5,925,815	(5,925,815)	
<u>64,112</u>		<u>64,112</u>
<u>10,663,390</u>	<u>(5,300,892)</u>	<u>5,362,498</u>
<u>(7,158,195)</u>	<u>16,081,913</u>	<u>8,923,718</u>
35,275,985	9,982,169	45,258,154
	<u>23,230,488</u>	<u>23,230,488</u>
<u>35,275,985</u>	<u>33,212,657</u>	<u>68,488,642</u>
<u>\$ 28,117,790</u>	<u>\$ 49,294,570</u>	<u>\$ 77,412,360</u>

See Accompanying Notes to the Financial Statements.

**SAINT REGIS MOHAWK TRIBE**

**Balance Sheet - Governmental Funds**

**December 31, 2008**

	<u>General Fund</u>	<u>Indian Health Services</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$ 4,612,617	\$ 834,612	\$ 1,358,328	\$ 6,805,557
Restricted cash	100,893			100,893
Investments	2,196,729			2,196,729
Accounts receivable, net	290,717	(698)	624,632	914,651
Prepaid expenses	5,711			5,711
Due from other funds	968,701	27,572	1,438,363	2,434,636
Due from other governments		8,824	2,386,034	2,394,858
Other assets	<u>7,492</u>			<u>7,492</u>
<b>Total assets</b>	<b><u>\$ 8,182,860</u></b>	<b><u>\$ 870,310</u></b>	<b><u>\$ 5,807,357</u></b>	<b><u>\$ 14,860,527</u></b>
<b>Liabilities and fund balances</b>				
Current liabilities				
Accounts payable	\$ 126,138	\$ 758,420	\$ 585,849	\$ 1,470,407
Accrued liabilities	263,828	168,513	927,225	1,359,566
Due to other funds	1,723,167		174,914	1,898,081
Deferred revenue			<u>2,813,768</u>	<u>2,813,768</u>
<b>Total liabilities</b>	<b><u>2,113,133</u></b>	<b><u>926,933</u></b>	<b><u>4,501,756</u></b>	<b><u>7,541,822</u></b>
Fund balances				
Reserved	1,424,576		1,305,601	2,730,177
Unreserved:				
General fund	4,645,151			4,645,151
Special revenue		<u>(56,623)</u>		<u>(56,623)</u>
<b>Total fund balances</b>	<b><u>6,069,727</u></b>	<b><u>(56,623)</u></b>	<b><u>1,305,601</u></b>	<b><u>7,318,705</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 8,182,860</u></b>	<b><u>\$ 870,310</u></b>	<b><u>\$ 5,807,357</u></b>	<b><u>\$ 14,860,527</u></b>

**Total governmental fund balances**

\$ 7,318,705

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.

19,753,767

Some liabilities, including long-term debt, are not due and payable in the current period and therefore are not reported in the funds.

(515,551)

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.

1,560,869

**Net assets - governmental activities, per statement of net assets**

**\$ 28,117,790**

**SAINT REGIS MOHAWK TRIBE**

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

**Year Ended December 31, 2008**

	<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	\$	\$ 7,280,656	\$ 12,218,873	\$ 19,499,529
Taxes	2,568,510			2,568,510
Charges for services	118,883		5,060,438	5,179,321
Investment income	(286,726)		34,509	(252,217)
Fees and fines	383,209		316,044	699,253
Licenses and permits	52,151			52,151
Rental income	181,000			181,000
Other revenue	<u>455,236</u>		<u>884,765</u>	<u>1,340,001</u>
<b>Total revenues</b>	<u>3,472,263</u>	<u>7,280,656</u>	<u>18,514,629</u>	<u>29,267,548</u>
<b>Expenditures</b>				
General government	10,911,741		5,200,030	16,111,771
Public health		9,392,083	2,047,102	11,439,185
Education			1,891,722	1,891,722
Housing			175,615	175,615
Public safety			2,687,225	2,687,225
Human services			3,935,197	3,935,197
General welfare			1,944,110	1,944,110
Roads and highways			529,520	529,520
Culture and recreation			186,862	186,862
Environmental management			1,568,634	1,568,634
Debt service				
Principal	12,000	84,232	21,892	118,124
Interest	7,565	24,111	12,666	44,342
Capital outlay	<u>252,114</u>	<u>4,500</u>	<u>2,016,140</u>	<u>2,272,754</u>
<b>Total expenditures</b>	<u>11,183,420</u>	<u>9,504,926</u>	<u>22,216,715</u>	<u>42,905,061</u>
<b>Revenues over (under) expenditures</b>	<u>(7,711,157)</u>	<u>(2,224,270)</u>	<u>(3,702,086)</u>	<u>(13,637,513)</u>
<b>Other financing sources (uses)</b>				
Transfers in/(out)	<u>4,303,999</u>	<u>2,167,647</u>	<u>4,055,013</u>	<u>10,526,659</u>
<b>Total other financing sources (uses)</b>	<u>4,303,999</u>	<u>2,167,647</u>	<u>4,055,013</u>	<u>10,526,659</u>
<b>Net change in fund balances</b>	(3,407,158)	(56,623)	352,927	(3,110,854)
<b>Fund balances, beginning of year</b>	9,857,038	0	952,674	10,809,712
Prior period adjustments	<u>(380,153)</u>			<u>(380,153)</u>
<b>Fund balances, as restated</b>	<u>9,476,885</u>	<u>0</u>	<u>952,674</u>	<u>10,429,559</u>
<b>Fund balances, end of year</b>	<u>\$ 6,069,727</u>	<u>\$ (56,623)</u>	<u>\$ 1,305,601</u>	<u>\$ 7,318,705</u>

**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, 2008**

<b>Net change in fund balances - governmental funds</b>		<b>\$ (3,110,854)</b>
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	2,272,754	
Depreciation expense	<u>(995,032)</u>	
		1,277,722
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.		(4,737)
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.		118,124
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.		(737,269)
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.		(4,765,293)
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.		<u>64,112</u>
<b>Change in net assets of governmental activities</b>		<b>\$ <u>(7,158,195)</u></b>



<u>First Americans Food Store</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>	<u>Internal Service Funds</u>
\$ 245,858	\$ 92,466	\$ 24,137,032	\$ 2,042,786
		6,798,637	
		5,526,651	
26,295		103,384	3,436
29,978		306,849	
878,190		1,334,366	
			271,418
		29,606	
		60,000	
<u>1,180,321</u>	<u>92,466</u>	<u>38,296,525</u>	<u>2,317,640</u>
14,314,541		94,056,299	
70,337		70,337	
		1,728,827	
<u>14,384,878</u>	<u>0</u>	<u>95,855,463</u>	<u>0</u>
<u>15,565,199</u>	<u>92,466</u>	<u>134,151,988</u>	<u>2,317,640</u>
253,110		16,699,004	182,194
12,108		9,248,728	91,847
58,019		217,407	
		2,850,820	
		1,734,273	
		3,500	
212,386	112,856	325,242	482,730
		6,093,893	
<u>1,650,706</u>		<u>5,091,688</u>	
<u>2,186,329</u>	<u>112,856</u>	<u>42,264,555</u>	<u>756,771</u>
9,700,793		38,999,909	
		2,135,572	
		36,659	
		1,420,723	
<u>9,700,793</u>	<u>0</u>	<u>42,592,863</u>	<u>0</u>
<u>11,887,122</u>	<u>112,856</u>	<u>84,857,418</u>	<u>756,771</u>
3,635,736		50,640,878	
42,341	(20,390)	(1,346,308)	1,560,869
<u>\$ 3,678,077</u>	<u>\$ (20,390)</u>	<u>\$ 49,294,570</u>	<u>\$ 1,560,869</u>

See Accompanying Notes to the Financial Statements.

<u>Akwasasne Housing Authority</u>	<u>First Americans Food Store</u>	<u>Nonmajor Enterprise Funds</u>	<u>Totals</u>	<u>Internal Service Funds</u>
\$	\$	\$	\$ 98,885,060	\$
				5,819,715
				52,765
			7,776,296	
	5,914,992		5,914,992	
542,070			542,070	
<u>17,647</u>	<u>141,908</u>		<u>808,635</u>	<u>47,304</u>
559,717	6,056,900	0	113,927,053	5,919,784
	(100,591)		(5,705,116)	
<u>559,717</u>	<u>5,956,309</u>	<u>0</u>	<u>108,221,937</u>	<u>5,919,784</u>
	4,425,859		7,383,435	
	868,186		868,186	
	61,793		61,793	
	67,140		67,140	
				3,106,878
110,784			110,784	
			10,901,387	
323,400	522,337	101,841	30,731,290	3,799,389
			5,012,355	
1,099,625			1,099,625	
		215,106	215,106	
	97,568		97,568	
			4,759,860	
<u>1,291,181</u>	<u>285,442</u>		<u>8,654,747</u>	
<u>2,824,990</u>	<u>6,328,325</u>	<u>316,947</u>	<u>69,963,276</u>	<u>6,906,267</u>
<u>(2,265,273)</u>	<u>(372,016)</u>	<u>(316,947)</u>	<u>38,258,661</u>	<u>(986,483)</u>
			(13,043,467)	
			(2,811,784)	
	(12,300)		(32,818)	
	(165,516)		(607,410)	
			(2,135,572)	
		520,950	520,950	
			(240,000)	
1,914,751			1,914,751	
<u>116,296</u>			<u>184,418</u>	<u>84,765</u>
<u>2,031,047</u>	<u>(177,816)</u>	<u>520,950</u>	<u>(16,250,932)</u>	<u>84,765</u>
(234,226)	(549,832)	204,003	22,007,729	(901,718)
	4,227,909	80,987	(5,925,815)	164,449
<u>(234,226)</u>	<u>3,678,077</u>	<u>284,990</u>	<u>16,081,914</u>	<u>(737,269)</u>
20,455,592	0	(23,568,784)	9,982,168	2,298,138
(32,916)		23,263,404	23,230,488	0
<u>20,422,676</u>	<u>0</u>	<u>(305,380)</u>	<u>33,212,656</u>	<u>2,298,138</u>
\$ <u>20,188,450</u>	\$ <u>3,678,077</u>	\$ <u>(20,390)</u>	\$ <u>49,294,570</u>	\$ <u>1,560,869</u>

See Accompanying Notes to the Financial Statements.

<u>Akwasasne Housing Authority</u>	<u>First Americans Food Store</u>	<u>Nonmajor Enterprise Funds</u>	<u>Totals</u>	<u>Internal Service Funds</u>
\$ 467,768	\$ 5,788,106	\$	\$ 108,275,599	\$
26,051	141,908		167,959	5,778,276
(921,135)	(856,079)		(32,560,016)	47,304
(420,266)	(5,001,605)	(298,547)	(20,728,361)	(2,520,209)
<u>(106,061)</u>	<u>                    </u>	<u>                    </u>	<u>(106,061)</u>	(1,269,137)
<u>(953,643)</u>	<u>72,330</u>	<u>(298,547)</u>	<u>55,049,120</u>	(3,244,393)
17,049			85,171	
(2,635,394)			(2,635,394)	84,765
<u>(2,618,345)</u>	<u>0</u>	<u>0</u>	<u>(5,362,007)</u>	<u>84,765</u>
	212,386		39,158	
		297,787	449,999	305,516
2,610,106			2,610,106	
29,393			29,393	
			179,399	
		76,452	76,452	
	(48,910)		(48,910)	
			(13,043,467)	
			13,986	
			(240,000)	
<u>                    </u>	<u>4,261,890</u>	<u>                    </u>	<u>(10,738,110)</u>	<u>164,449</u>
<u>2,639,499</u>	<u>4,425,366</u>	<u>374,239</u>	<u>(20,671,994)</u>	<u>469,965</u>
(1,127,106)	(3,308,360)		(49,792,929)	
	(77,740)		(77,740)	
236,046	19,500		255,546	
			25,109,909	
	(777,741)		(1,844,408)	
	(107,497)		(417,489)	
<u>146,704</u>	<u>                    </u>	<u>                    </u>	<u>146,704</u>	<u>                    </u>
<u>(744,356)</u>	<u>(4,251,838)</u>	<u>0</u>	<u>(26,971,025)</u>	<u>0</u>
(1,676,845)	245,858	75,692	2,044,094	(653,429)
<u>5,630,899</u>	<u>0</u>	<u>16,774</u>	<u>28,891,575</u>	<u>2,696,215</u>
<u>\$ 3,954,054</u>	<u>\$ 245,858</u>	<u>\$ 92,466</u>	<u>\$ 30,935,669</u>	<u>\$ 2,042,786</u>

See Accompanying Notes to the Financial Statements.

<u>First Americans Food Store</u>	<u>Nonmajor Enterprise Funds</u>	<u>Totals</u>	<u>Internal Service Funds</u>
\$ (372,016)	\$ (316,947)	\$ 38,258,661	\$ (986,483)
285,442		8,654,747 2,198	
(26,295)		527,830	(96,163)
(50,041)		(128,245)	(3,436)
(29,978)		(79,088)	
		(301,748)	
		(1,700)	
253,110	(245,533)	2,306,728	(162,981)
12,108		5,618,805	38,945
	263,933	263,933	1,959
		156,233	
		(229,234)	
<u>\$ 72,330</u>	<u>\$ (298,547)</u>	<u>\$ 55,049,120</u>	<u>\$ (1,208,159)</u>
	<u>\$ 444,498</u>	<u>\$ 444,498</u>	
	<u>\$ (172,734)</u>	<u>\$ (172,734)</u>	
	<u>\$ 520,950</u>	<u>\$ 520,950</u>	
		<u>\$ 16,533,333</u>	
		<u>\$ 16,912</u>	
		<u>\$ 4,765,289</u>	
		<u>\$ 2,135,572</u>	
<u>\$ 11,350,000</u>		<u>\$ 11,350,000</u>	
<u>\$ 828,150</u>		<u>\$ 828,150</u>	
<u>\$ 33,981</u>		<u>\$ 33,981</u>	

See Accompanying Notes to the Financial Statements.

**SAINT REGIS MOHAWK TRIBE**  
**Statement of Fiduciary Net Assets**  
**December 31, 2008**

	<b>Private - Purpose Trust Fund</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 159,950
Investments	<u>1,015,905</u>
<b>Total assets</b>	<u><u>1,175,855</u></u>
<b>Liabilities</b>	
Current liabilities	
Accounts payable	73
Accrued liabilities	<u>323</u>
<b>Total liabilities</b>	<u><u>396</u></u>
<b>Net assets</b>	
Held in trust for scholarships	<u>1,175,459</u>
<b>Total net assets</b>	<u><u>\$ 1,175,459</u></u>

**SAINT REGIS MOHAWK TRIBE**

**Statement of Changes in Fiduciary Net Assets**

**Year Ended December 31, 2008**

	<u>Private - Purpose Trust Fund</u>
<b>Additions</b>	
Investment income	\$ <u>(328,661)</u>
<b>Total additions</b>	<u>(328,661)</u>
<b>Deductions</b>	
Scholarships	143,050
Administrative expenses	<u>14,620</u>
<b>Total deductions</b>	<u>157,670</u>
<b>Change in net assets held in trust</b>	(486,331)
<b>Net assets - beginning</b>	<u>1,661,790</u>
<b>Net assets - ending</b>	<u>\$ 1,175,459</u>

## **Notes to the Financial Statements**

**SAINT REGIS MOHAWK TRIBE**  
**Notes to the Financial Statements**  
**Year Ended December 31, 2008**

**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.

**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.

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.



**SAINT REGIS MOHAWK TRIBE**  
**Notes to the Financial Statements**  
**Year Ended December 31, 2008**

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

**B. Reporting Entity - Continued**

**Component Units-Continued**

*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.

Blended component units of the Tribe are:

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

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. First Americans Food Store is a retail grocery store.

*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. The Tribe has no component units meeting this criteria.

**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, 2008**

**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 and transfers 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).

**SAINT REGIS MOHAWK TRIBE**

**Notes to the Financial Statements**

**Year Ended December 31, 2008**

**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 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.

*First Americans Food Store* - The Tribe owns and operates an IGA grocery store that is located on tribal land.

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, 2008**

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

**E. Cash and Cash Equivalents**

For statement of cash flows purposes, all cash and temporary cash investments with original maturities of three months or less are considered to be 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.

First Americans Food Store utilizes the retail inventory method to estimate the cost of ending inventory. The cost is estimated by multiplying the cost/retail ratio of goods available for sale by the ending inventory carried at retail value. Inventory items consist of general grocery merchandise, dairy products, frozen products, beer, tobacco, and dollar store merchandise.

**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 uncollectable.

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.

**SAINT REGIS MOHAWK TRIBE**

**Notes to the Financial Statements**

**Year Ended December 31, 2008**

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

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

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.

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	3-10
Furniture and fixtures	\$5,000	3-10
Vehicles	\$5,000	5

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, 2008**

**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, 2008. 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 11.84% was charged to benefiting programs, based on direct costs, less capital expenditures and passthrough funds. Passthrough funds are normally defined as major subcontracts, payments to participants, stipends to eligible participants, and subgrants, all of which normally require minimal administrative effort.

**SAINT REGIS MOHAWK TRIBE**  
**Notes to the Financial Statements**  
**Year Ended December 31, 2008**

**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, 2008 amounted to \$2,188,038.

**R. Investments - Advance Payments**

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 Tribal enterprise funds incur 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, 2008**

**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, 2008, the Tribe reports the following deposits:

**Governmental Activities and Fiduciary Funds**

	Carrying Amount	Bank Balance
Demand deposits and money market accounts	\$ 9,108,686	\$ 9,507,714
Cash on hand	500	
Total cash - governmental activities and fiduciary funds	\$ 9,109,186	\$ 9,507,714

**Business Type Activities**

Cash on hand	\$ 7,738,505	\$
Demand deposits and cd's - Housing Authority	3,954,054	
Demand deposits - other business type activities	19,243,110	20,566,871
Total cash - business type activities	30,935,669	20,566,871
Certificates of deposit - maturing after 3 months - Housing Authority	5,526,651	
Total deposits	\$ 45,571,506	\$ 30,074,585

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, 2008**

**Note 2 - Deposits and Investments - 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, 2008, \$19,907,116 of the Tribe's bank balance of \$30,074,585 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 325,228
Uninsured and collateral held by pledging bank's trust department, not in the Tribe's name	<u>19,581,888</u>
<b>Total</b>	<b><u>\$19,907,116</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, 2008, the Tribe had foreign cash on hand of \$1,347,337 and bank deposits in foreign currency of \$335,105. These had a U.S. cash value of \$1,082,768 and \$266,907, respectively.

As of December 31, 2008, the Tribe had the following investments and maturities:

	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More than 10</u>
Federal National Mortgage Association	\$ 539,190	\$	\$ 489,143	\$ 50,047	\$
U.S. Treasury Notes	368,304	101,355	192,603	74,346	
Federal Home Loan Mortgage Corporation	493,008	101,157	216,000	175,851	
Corporate Bonds	100,565		100,565		
Common Stock	259,884				
Mutual Funds	<u>1,451,683</u>				
<b>Total</b>	<b><u>\$ 3,212,634</u></b>	<b><u>\$ 202,512</u></b>	<b><u>\$ 998,311</u></b>	<b><u>\$ 300,244</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, 2008, the Tribe had more than 5% of its total investments in the following: Federal National Mortgage Association (16.78%) and Federal Home Loan Mortgage Corporation (15.35%).

**SAINT REGIS MOHAWK TRIBE**

**Notes to the Financial Statements**

**Year Ended December 31, 2008**

**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, 2008, 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	\$ 539,190	\$ 539,190	\$	\$	\$
Federal Home Loan Mortgage Corporation	493,008	493,008			
Corporate Bonds	100,565	49,441		51,124	
	<u>\$ 1,132,763</u>	<u>\$ 1,081,639</u>	<u>\$</u>	<u>\$ 51,124</u>	<u>\$</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 \$3,212,634 investments, \$1,760,951 are held in nominee name by the custodian as follows:

US Treasury Notes	\$ 368,304
Federal National Mortgage Association	539,190
Federal Home Loan Mortgage Corporation	493,008
Corporate Bonds	100,565
Common Stocks	259,884
	<u>\$ 1,760,951</u>

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

**Restricted Cash**

Restricted cash in the general fund is the amount set aside for a lease purchase commitment, more fully described in note 13.

Restricted cash for the Akwesasne Mohawk Casino is the amount set aside in accordance with the terms of a loan agreement with Key Bank and represents 50% of the amount in dispute with the State of New York.

**Note 3 - Receivables**

Governmental receivables at year-end are summarized as follows:

Business receivables	\$ 253,681
Employees	41,704
Insurance billings	622,702
Total governmental receivables	<u>\$ 918,087</u>

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

Business receivables - Mohawk Bingo Palace	\$ 19,440
Business receivables - Akwesasne Mohawk Casino	33,959
Tenant receivables - Akwesasne Housing Authority	27,849
Business receivables - IGA Store	26,295
Less: Allowance for doubtful accounts	(4,159)
Total business-type receivables	<u>\$ 103,384</u>

**SAINT REGIS MOHAWK TRIBE**

**Notes to the Financial Statements**

**Year Ended December 31, 2008**

**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	\$ 174,914
General fund	Internal service funds	482,730
General fund	Non-major enterprise funds	112,856
General fund	First Americans Food Store	212,386
Indian Health Service	General fund	27,572
Internal service funds	General fund	271,418
Non-major governmental funds	General fund	1,438,363

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, for amounts used to supplement and match grant and contract programs, and for amounts needed to pay claims in the health insurance fund. 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	\$ 128,439
General fund	Non-major governmental funds	Program subsidy	5,343,410
General fund	Internal service funds	Program subsidy	143,071
General fund	Non-major enterprise funds	Program subsidy	80,987
Non-major governmental funds	Indian Health Services	Program subsidy	2,039,208
General fund	Non-major governmental funds	Indirect cost shortfall	750,811
General fund	Internal service funds	Indirect cost shortfall	21,378
General fund	First Americans Food Store	Purchase and operating subsidy	4,227,909
General fixed asset account group	Akwesasne Mohawk Casino	Transfer Casino CIP costs	4,765,293
Akwesasne Mohawk Casino	General fund	Profit distribution	9,000,000
Mohawk Bingo Palace	General fund	Profit distribution	6,000,000

**Note 5 - Inventories**

Inventories consist of the following at December 31, 2008:

IGA Store - groceries and merchandise	\$ 623,024
IGA Store - Dollar Store merchandise	255,166
Food and beverage	116,638
Kitchenware and supplies	117,287
Gift shop merchandise	10,419
Uniforms	73,529
Housing Authority supplies	93,392
Bingo paper	14,846
Pull tabs	17,479
Smoke shop	12,586
	<u>\$ 1,334,366</u>

**SAINT REGIS MOHAWK TRIBE**

**Notes to the Financial Statements**

**Year Ended December 31, 2008**

**Note 6 - Deferred Financing Costs**

Costs related to obtaining the mortgage debt for the First Americans Food Store are capitalized and amortized over seven years using the straight-line method. Accumulated amortization at December 31, 2008 was \$7,404. Amortization of deferred financing costs charged to operations was also \$7,404 for the year ended December 31, 2008.

**Note 7 - Capital Assets**

Capital assets activity for the year ended December 31, 2008, is summarized as follows:

	<u>Balance 1/1/2008 as restated</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance 12/31/2008</u>
<b>Governmental activities</b>					
Capital assets not being depreciated					
Land and improvements	\$ 958,486	\$ 7,090	\$	\$	\$ 965,576
Construction in progress	<u>9,078,418</u>	<u>1,505,334</u>	<u>(4,765,289)</u>	<u>(3,041,142)</u>	<u>2,777,321</u>
Total capital assets not being depreciated	<u>10,036,904</u>	<u>1,512,424</u>	<u>(4,765,289)</u>	<u>(3,041,142)</u>	<u>3,742,897</u>
Capital assets being depreciated					
Buildings and improvements	11,652,292	238,849			11,891,141
Equipment	1,896,840	221,254			2,118,094
Vehicles	2,155,689	364,339	(24,199)		2,495,829
Infrastructure	<u>4,227,998</u>			<u>3,041,142</u>	<u>7,269,140</u>
Total capital assets being depreciated	<u>19,932,819</u>	<u>824,442</u>	<u>(24,199)</u>	<u>3,041,142</u>	<u>23,774,204</u>
Less accumulated depreciation					
Buildings and improvements	(3,725,669)	(293,940)			(4,019,609)
Equipment	(1,124,100)	(272,949)			(1,397,049)
Vehicles	(1,409,155)	(287,209)	19,462		(1,676,902)
Infrastructure	<u>(528,840)</u>	<u>(140,934)</u>			<u>(669,774)</u>
Total accumulated depreciation	<u>(6,787,764)</u>	<u>(995,032)</u>	<u>19,462</u>	<u>0</u>	<u>(7,763,334)</u>
Net capital assets being depreciated	<u>13,145,055</u>	<u>(170,590)</u>	<u>(4,737)</u>	<u>3,041,142</u>	<u>16,010,870</u>
<b>Net capital assets</b>	<u>\$23,181,959</u>	<u>\$ 1,341,834</u>	<u>\$ (4,770,026)</u>	<u>\$ 0</u>	<u>\$19,753,767</u>

The January 1, 2008 balance for construction in progress was increased from \$8,698,265 to \$9,078,418. This increase of \$380,153 reflects construction costs payable at December 31, 2007 that were not properly included in the accounting records (see note 20).

**SAINT REGIS MOHAWK TRIBE**  
**Notes to the Financial Statements**  
**Year Ended December 31, 2008**

**Note 7 - Capital Assets - Continued**

	<u>Balance 1/1/2008</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance 12/31/2008</u>
<b>Business-type activities</b>				
Capital assets not being depreciated				
Land	\$ 1,981,274	\$ 7,970,000	\$	\$ 9,951,274
Construction in progress	<u>2,827,284</u>	<u>49,070,458</u>	<u>(37,617,952)</u>	<u>14,279,790</u>
Total capital assets not being depreciated	<u>4,808,558</u>	<u>57,040,458</u>	<u>(37,617,952)</u>	<u>24,231,064</u>
Capital assets being depreciated				
Site development	328,997		21,127,892	21,456,889
Leasehold improvements	7,930,737	166,426	(335,592)	7,761,571
Buildings and improvements	34,293,875	6,532,539	(490,506)	40,335,908
Furniture and fixtures	21,975,947	439,944	14,947,567	37,363,458
Equipment	454,312	1,843,319	(81,834)	2,215,797
Bingo equipment	260,420		(260,420)	0
Vehicles	<u>224,984</u>	<u>33,981</u>	<u>(33,981)</u>	<u>224,984</u>
Total capital assets being depreciated	<u>65,469,272</u>	<u>9,016,209</u>	<u>34,873,126</u>	<u>109,358,607</u>
Less accumulated depreciation				
Site development	(95,530)	(21,933)		(117,463)
Leasehold improvements	(4,420,179)	(549,369)	333,355	(4,636,193)
Buildings and improvements	(12,633,640)	(1,937,513)	343,840	(14,227,313)
Furniture and fixtures	(15,179,748)	(5,877,583)	1,137,481	(19,919,850)
Equipment	(291,352)	(240,696)	50,034	(482,014)
Bingo equipment	(260,420)		260,420	0
Vehicles	<u>(130,290)</u>	<u>(23,485)</u>	<u>3,236</u>	<u>(150,539)</u>
Total accumulated depreciation	<u>(33,011,159)</u>	<u>(8,650,579)</u>	<u>2,128,366</u>	<u>(39,533,372)</u>
Net capital assets being depreciated	<u>32,458,113</u>	<u>365,630</u>	<u>37,001,492</u>	<u>69,825,235</u>
<b>Net capital assets</b>	<u>\$ 37,266,671</u>	<u>\$57,406,088</u>	<u>\$ (616,460)</u>	<u>\$ 94,056,299</u>

Interest costs were capitalized during 2008 in the amount of \$350,618.

**SAINT REGIS MOHAWK TRIBE**

**Notes to the Financial Statements**

**Year Ended December 31, 2008**

**Note 8 - 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, 2008 is as follows:

	Total
General fund	\$ 34,473
Special revenue funds	263,001
Mohawk Bingo Palace	220,051
Akwesasne Mohawk Casino	139,581
Internal service fund	38,712
Total lease commitments	\$ 695,818

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

Years Ending December 31,	
2009	\$ 359,603
2010	193,889
Total	\$ 553,492

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 \$5,021,355 for the year ended December 31, 2008.

**Note 9 - Long-Term Liabilities**

Changes in long-term liabilities for the year ended December 31, 2008, were as follows:

	Balance 1/1/2008, as restated	Additions	Reductions	Balance 12/31/2008	Amounts Due Within One Year
<b>Governmental</b>					
Notes payable	\$ 610,977	\$	\$ (114,509)	\$ 496,468	\$ 110,241
Capital leases	22,696		(3,613)	19,083	3,855
<b>Governmental long-term liabilities</b>	\$ 633,673	\$ 0	\$ (118,122)	\$ 515,551	\$ 114,096
<b>Business-type</b>					
Notes payable/project loans	\$ 7,600,000	\$ 55,435,715	\$(18,947,600)	\$ 44,088,115	\$ 5,088,206
Compensated absences	27,700	15,923	(3,482)	40,141	3,482
<b>Business-type long term liabilities</b>	\$ 7,627,700	\$ 55,451,638	\$(18,951,082)	\$ 44,128,256	\$ 5,091,688
<b>Total governmental and business-type activities</b>	\$ 8,261,373	\$ 55,451,638	\$(19,069,204)	\$ 44,643,807	\$ 5,205,784

**SAINT REGIS MOHAWK TRIBE**  
**Notes to the Financial Statements**  
**Year Ended December 31, 2008**

**Note 9 - Long-Term Liabilities - Continued**

**Governmental Activities**

Note payable to a bank, payable in monthly installments of \$6,406 plus variable interest through September 2008. 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.	\$ 375,760
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.	120,708
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.	19,083
Total long-term debt	515,551
Less current maturities	(114,096)
Total long-term debt, net of current maturities	\$ <u>401,455</u>

**Business-type activities**

During 2008, Te Wa Tha Hon:Ni Corporation had a promissory note ("Bridge Loan") for \$10,000,000 dated June 27, 2008 with Key Bank. This loan was an amendment to a loan dated August 19, 2007 that had an outstanding balance of \$7,600,000 as of December 31, 2007. The note was assigned to the Akwesasne Mohawk Casino and was an interim financing for the Casino expansion project during 2008. The project was for the designing, equipping, and opening of an approximate 26,460 square foot addition to the Casino. The expansion provides space for 750 additional Class III Gaming machines, an expanded restaurant, a new kitchen, warehouse, and restrooms. The interest rate on the note was LIBOR related, the LIBOR rate plus a margin of 3.75%. During 2008, \$51,047 of interest was paid on this note. The Bridge Loan was completely paid off in August 2008 through the proceeds of the first draw of the construction loan, described more fully below.	\$ 0
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SAINT REGIS MOHAWK TRIBE

Notes to the Financial Statements

Year Ended December 31, 2008

**Note 9 - Long-Term Liabilities - Continued**

**Business-type activities - Continued**

On August 19, 2008, Te Wa Tha Hon:Ni Corporation entered into a loan agreement with Key Bank in the amount of \$55,000,000. The loan has been assigned to the Akwesasne Mohawk Casino for use and repayment. The debt is guaranteed by the 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. The interest payment of the loan has two phases: (1) During the construction period, interest based on the LIBOR rate was paid monthly on the outstanding loan balance. At December 31, 2008, the interest expense incurred was \$454,981. (2) Quarterly principal payments of \$1,718,750 plus interest based on the LIBOR rate will be paid starting on the last day of the calendar quarter in which the earlier of August 19, 2009 or the date when all loan proceeds have been drawn has occurred. Upon maturity, all outstanding principal and corresponding interest will be paid in one final installment. Commitment fees were charged on the unused loan balance during the construction period. The commitment fee was calculated at a rate of 0.05% of the unused loan balance, totaling \$64,187 for the year ended December 31, 2008.

32,736,616

Promissory note payable utilized in the purchase of an IGA store. The total note obligation is \$10,500,000. Consecutive, quarterly installments of \$402,798 are required for principal and interest. Interest is charged at 2% annually. The note matures on April 21, 2015, at which time any unpaid principal and interest is due and payable in full.

9,787,056

Promissory note payable utilized in the purchase of inventory and equipment for the IGA store. The total note obligation is \$1,678,150. Consecutive, quarterly installments of \$64,277 are required for principal and interest. Interest is charged at 2% annually. The note matures on April 21, 2015, at which time any unpaid principal and interest is due and payable in full.

1,564,443

Total long-term debt

44,088,115

Less current maturities

(5,088,206)

Total long-term debt, net of current maturities

\$ 38,999,909



**SAINT REGIS MOHAWK TRIBE**  
**Notes to the Financial Statements**  
**Year Ended December 31, 2008**

**Note 9 - Long-Term Liabilities - Continued**

The governmental activities of the Tribe have one interest rate swap agreement as follows:

<u>Trade Date</u>	<u>Effective Date</u>	<u>Fixed Rate Paid</u>	<u>Swap Termination Date</u>	<u>Notional Amount</u>
08/10/2005	09/01/2005	7.3%	09/01/2012	\$ <u>629,000</u>

The fair value of the swap agreement at December 31, 2008 was (\$26,481).

The Te Wa Tha Hon:Ni Corporation has two interest rate swap agreements as follows:

<u>Trade Date</u>	<u>Effective Date</u>	<u>Fixed Rate Paid</u>	<u>Swap Termination Date</u>	<u>Notional Amount</u>
09/09/2008	01/31/2009	3.63%	09/30/2011	\$ <u>30,250,000</u>
11/25/2008	03/31/2009	3.24%	09/30/2012	\$ <u>10,000,000</u>

The fair value of the swap agreement at December 31, 2008 was (\$2,135,572), which is recorded as an other liability in the accompanying financial statements.

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>
2009	\$ 114,095	\$ 32,104	\$ 5,088,206	\$ 1,794,400
2010	122,592	23,945	8,559,434	1,111,000
2011	131,750	15,176	8,593,851	1,088,525
2012	111,854	5,923	8,628,616	724,670
2013	28,016	1,531	10,463,918	290,369
Thereafter	7,244	91	2,754,090	46,564
	<u>\$ 515,551</u>	<u>\$ 78,770</u>	<u>\$ 44,088,115</u>	<u>\$ 5,055,528</u>

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

**SAINT REGIS MOHAWK TRIBE**

**Notes to the Financial Statements**

**Year Ended December 31, 2008**

**Note 10 - Accrued Expenses**

Accrued expenses consist of the following at December 31, 2008:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Governmental and Business- type Activities</u>
Accrued payroll	\$ 253,574	\$ 637,839	\$ 891,413
Accrued payroll taxes and benefits	691,602	1,276,173	1,967,775
Medical claims		252,362	252,362
Gaming tax withholdings		28,530	28,530
Regulatory accruals		1,061,989	1,061,989
Accrued construction costs		4,758,305	4,758,305
Interest		217,407	217,407
Other	506,237	1,233,530	1,739,767
Totals	<u>\$ 1,451,413</u>	<u>\$ 9,466,135</u>	<u>\$ 10,917,548</u>

**Note 11 - 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, 2008 amounted to a loss of \$(2,811,784).

**Note 12 - 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, 2008:

Progressive slot liability	\$ 1,479,767
Accrued bingo prizes	5,140
Chip/token liability	166,873
Players club liability	47,575
Progressive poker jackpot liability	34,918
	<u>\$ 1,734,273</u>

**SAINT REGIS MOHAWK TRIBE**

**Notes to the Financial Statements**

**Year Ended December 31, 2008**

**Note 13 - Contingent Liabilities and Commitments**

- A. The Housing Authority has open contracts to contractors for construction of on-going projects; these commitments totaled \$39,879 at December 31, 2008.
- B. On August 21, 2007 the Tribe entered into a lease purchase agreement for the eventual purchase of a building and associated land. The agreement is for a term of three years ending August 21, 2010. The Tribe remits \$15,000 monthly as rent expense for the property. The Tribe may not assign the agreement to another party or sublet any portion of the premises during the term of the agreement. Any rental payments made by the Tribe will be utilized to offset the purchase price of \$1,350,000.

The Tribe was required to deposit \$100,000 in a joint account as evidence of its intention to perform pursuant to the agreement. This amount is reflected as restricted cash in the accompanying financial statements.

- c. The Tribe guaranteed a loan on behalf of the Hogansburg/Akwesasne Volunteer Fire Department to facilitate the purchase of two firetrucks. As a result, the Tribal general fund has increased its annual allocation to the Fire Department by \$16,500 to provide for the debt payments being made.

**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 14 - 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 15 - 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, which limits the annual liability. Amounts charged to expense for such medical claims were \$7,084,063 (Tribe - \$3,106,878 and Casino - \$3,977,185) for the year ended December 31, 2008.

**SAINT REGIS MOHAWK TRIBE**

**Notes to the Financial Statements**

**Year Ended December 31, 2008**

**Note 16 - 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.

**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 directly to AMERIND.

**Note 17 - 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 \$1,175,459 at December 31, 2008, has been set aside in a scholarship fund for members of the Tribe.

The reserved fund balances are designated for the following purposes:

**General fund**

Lease purchase agreement	\$	94,340
Law enforcement		10,232
Tax escrow		1,192,752
Health services		7,759
JPM scholarships		18,600
Lease purchase agreement		100,893
<b>Total general fund</b>	<b>\$</b>	<b><u>1,424,576</u></b>

**Non-major governmental funds**

Health services	\$	1,184,136
Public safety		19,457
Economic development		96,537
Te wá tha hón:ni Corp - general fund		5,471
<b>Total non-major governmental funds</b>	<b>\$</b>	<b><u>1,305,601</u></b>

**SAINT REGIS MOHAWK TRIBE**  
**Notes to the Financial Statements**  
**Year Ended December 31, 2008**

**Note 18 - Deficit Fund Balance**

The following special revenue funds had a fund deficit as of December 31, 2008: IRA High Street - \$197,174, Tribal Courts-Supplement - \$7,810, Payroll Accrual Fund - \$135,560, JOM-Supplement - \$700, and Indian Health Services Fund - \$56,623. Deficits are expected to be offset with future revenues, transfers from the Tribe's general fund, and reversals of year end accrued payroll expenses.

One non-major proprietary fund had a fund deficit as of December 31, 2008. The Saint Regis Mohawk Builders had a deficit of \$20,860.

**Note 19 - Retirement Plans**

**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 \$734,758 for the year ended December 31, 2008. Employee contributions were \$491,189.

**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, 2008 amounted to \$625,537. The employees contributed \$624,309 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 schedule. The employer contributions made for the year ended December 31, 2008 totaled \$152,730 and the employees contributed \$72,530.

**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, 2008 was \$48,144. There were 27 participants in the plan.

**SAINT REGIS MOHAWK TRIBE**  
**Notes to the Financial Statements**  
**Year Ended December 31, 2008**

**Note 20 - Prior Period Adjustments**

**Housing Authority**

In the past, the Housing Authority did not accrue interest income receivable on its certificates of deposit because the change in accrual from year to year was considered immaterial and investment income was fairly stated. However, due to the declining interest rates from financial institutions, this is no longer the case. In order to accurately reflect the interest accrual the Authority has restated its financial statements to correct an understatement of investment income of \$30,113. Additionally, an error was noted in the prior year's adjustment to deferred revenue, which caused revenue to be overstated by \$63,029. Accordingly, unrestricted net assets for the Housing Authority at the beginning of 2008 were decreased by \$32,916, the net effect of both adjustments.

**Governmental Activities and General Fund**

It was discovered that material amounts of construction related accounts payable should have been recorded as expenditures and accounts payable during 2007 but had not been accrued in accordance with generally accepted accounting principles. These construction costs related to a project that was reported as construction in progress as of the 2007 year end. Consequently, capital assets and accounts payable of the governmental activities were understated by \$380,153 as of December 31, 2007. Similarly, in the general fund accounts payable and capital outlay expenditures were understated by that same amount. Beginning net assets and fund balance were adjusted accordingly.

**Business-Type Activities and Proprietary Funds**

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 ceased several years ago. The agreements have never received approval by the National Indian Gaming Commission. The development company had advanced \$23,263,404 including interest to the Tribe.

Because the development agreement was never approved and because there has been no attempt to collect this outstanding balance or perfect a security interest in any of the assets of the Tribe, this liability has been written off as a correction of an error in previously issued financial statements. As such, the December 31, 2007 liabilities are decreased by \$23,263,404, and December 31, 2007 net assets are increased by the same amount.

**SAINT REGIS MOHAWK TRIBE**

**Notes to the Financial Statements**

**Year Ended December 31, 2008**

**Note 21 - Change in Reporting Entity**

For the year ended December 31, 2008, the Tribe reexamined its reporting entity determination with respect to its relationship with the Akwesasne Petroleum Cooperative. It was determined that the Cooperative does not meet the definition for inclusion in the Tribes' primary government, nor is it a component unit of the Tribe. As such, the beginning net assets of the governmental activities and general fund have increased as follows:

	<u>Governmental Activities</u>	<u>General Fund</u>
12/31/2007 ending net assets/ fund balance	\$ 35,404,086	\$ 9,985,139
12/31/2007 Akwesasne Petroleum Cooperative ending equity	(128,101)	(128,101)
12/31/2007 adjusted ending net assets/ fund balance	<u>\$ 35,275,985</u>	<u>\$ 9,857,038</u>

**Note 22 - Mohawk Catskill Development - Settlement Agreement and Dissolution**

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 finalized a settlement agreement in July 2008 to terminate the development agreement. Terms of the settlement agreement provided for a final reimbursement of project costs of \$444,498 and released both parties from the existing contract and any future claims against each other.

On December 18, 2008, the Te Wa Tha Hon:Ni Corporation Board of Directors approved Resolution TBR 2008-20 dissolving Mohawk Catskill Development, LLC. The Resolution authorizes the Te Wa Tha Hon:Ni Corporation board to wind up the affairs of the LLC, distribute any remaining assets, and cancel the LLC's certificate of formation.

**SAINT REGIS MOHAWK TRIBE**  
**Budgetary Comparison Schedule**  
**General Fund**

Year Ended December 31, 2008

	<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	\$ 2,054,288	\$ (74,712)
Charges for services	22,000	22,000	31,510	9,510
Investment income	150,000	150,000	(286,726)	(436,726)
Fees and fines	216,000	216,000	343,122	127,122
Licenses and permits	60,000	60,000	52,151	(7,849)
Rental income	800	800	600	(200)
Other revenue	5,000	5,000	466,615	461,615
Gaming distributions	<u>15,000,000</u>	<u>15,000,000</u>	<u>15,000,000</u>	
<b>Amount available for appropriation</b>	<u>17,582,800</u>	<u>17,582,800</u>	<u>17,661,560</u>	<u>78,760</u>
<b>Charges to appropriations</b>				
General government	8,696,957	8,696,957	8,828,442	(131,485)
Debt service				
Principal	12,000	12,000	12,000	
Interest	360	360	7,565	(7,205)
Capital outlay			252,114	(252,114)
Transfers out	<u>10,056,058</u>	<u>10,056,058</u>	<u>10,696,001</u>	<u>(639,943)</u>
<b>Total charges to appropriations</b>	<u>18,765,375</u>	<u>18,765,375</u>	<u>19,796,122</u>	<u>(1,030,747)</u>
<b>Net change in fund balance</b>	<u>\$ (1,182,575)</u>	<u>\$ (1,182,575)</u>	<u>\$ (2,134,562)</u>	<u>\$ (951,987)</u>
<b>Reconciliation to the financial statements:</b>				
Unbudgeted general funds - net change in fund balances			\$ (1,272,596)	
<b>Net change in fund balance-all general funds</b>			<u>\$ (3,407,158)</u>	



SAINT REGIS MOHAWK TRIBE

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2008

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>				
Direct programs:				
Food and Nutrition	10.567	4NY400608	10/07-9/08	\$ 507
Food and Nutrition	10.567	4NY400608	10/08-9/09	108
Elderly Feeding	10.567	4NY400608	10/07-9/08	85,637
Elderly Feeding	10.567	4NY400608	10/08-9/09	17,677
CFDA 10.567 Subtotal				<u>103,929</u>
USDA Headstart	10.558	2060	10/06-9/07	1,046
USDA Headstart	10.558	2060	10/07-9/08	35,598
USDA Headstart	10.558	2060	10-08-9/09	10,942
CFDA 10.558 Subtotal				<u>47,586</u>
Chronic Waste Disease Deer	10.025	06-9636-0321CA	8/06-7/07	(165)
Emerald Ash Borer	10.025	08-8236-0617-CA	9/08-2/09	2,418
CFDA 10.025 Subtotal				<u>2,253</u>
USDA - Phase VII Waterline	10.760	37-017-0161007650	6/07-Comp	244,156
Passed through the State of New York:				
Women, Infants and Children	10.557	Vouchers	1/08-12/08	164,560
Women, Infants and Children	10.557	C019304	10/07-9/08	44,121
Women, Infants and Children	10.557	C023576	10/08-9/09	14,072
CFDA 10.557 Subtotal				<u>222,753</u>
<b>Total U.S. Department of Agriculture</b>				<u>620,677</u>
<b>U.S. Department of Commerce</b>				
Direct programs:				
EDA 301(b) Planning Grant	11.302	01-84-0818-01	7/08-6/09	19,160
EDA 301(b) Planning Grant	11.302	01-84-08518	7/07-6/08	17,549
<b>Total U.S. Department of Commerce</b>				<u>36,709</u>
<b>U.S. Department of Interior</b>				
Direct programs:				
BIA CTGP	15.021	CTS51T00769	1/07-12/07	142,480
BIA CTGP	15.021	CTS51T00769	1/08-12/08	505,855
CFDA 15.021 Subtotal				<u>648,335</u>
Water Resources	15.037	CTS51T00760	1/99-12/06	31,950
Damage Assessment	15.041	CTS51T00772	1/05-12/05	258,694
Law Enforcement	15.030	CTS51T00770	1/07-12/07	422,232
Law Enforcement	15.030	CTS51T00770	1/08-12/08	349,617
CFDA 15.030 Subtotal				<u>771,849</u>
BIA Roads Maintenance	15.033	CTS51T00771	1/07-12/07	127,103
BIA Roads Maintenance	15.033	CTS51T00771	1/08-12/08	128,343
CFDA 15.033 Subtotal				<u>255,446</u>
Forest Resource Program	15.035	CTS51T00766	8/02-9/05	112,134
BIA Noxious Weed Control	15.034	CTS51T00773	7/05-6/09	1,283
Snapping Turtles	15.639	U-1-NA-1	1/06-12/08	26,867
Black Ash	15.639	U-3-NA-1	10/07-9/10	54,712
CFDA 15.639 Subtotal				<u>81,579</u>

SAINT REGIS MOHAWK TRIBE

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2008

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Grant Period	Federal Expenditures
Historic Preservation	15.904	36-07-NA-386D	10/06-9/08	4,332
Historic Preservation	15.904	36-08-NA-460D	10/07-9/09	29,682
CFDA 15.904 Subtotal				<u>34,014</u>
<b>Total U.S. Department of Interior</b>				<u><u>2,195,284</u></u>
<b>U.S. Department of Labor</b>				
Direct programs:				
Workforce Investment Act	17.265	AB-13953-04-55	7/07-6/08	82,980
Workforce Investment Act	17.265	AB-17237-08-55-A-36	7/08-6/09	49,343
Workforce Investment Summer	17.265	AB-17237-08-55-A-36	7/08-6/09	16,168
<b>Total U.S. Department of Labor</b>				<u><u>148,491</u></u>
<b>U.S. Department of Housing and Urban Development</b>				
Direct programs:				
ICDBG-HUD Sewer Plant	14.862	B-03-SR-36-5716	2/04-2/06	350,631
ICDBG-HUD Phase VI Waterline	14.862	B-04-SR-36-5716	4/05-4/07	77,331
ICDBG-HUD Phase VII Waterline	14.862	B-05-SR-36-5716	5/07-Comp	294,311
<b>Total U.S. Department of Housing and Urban Development</b>				<u><u>722,273</u></u>
<b>Environmental Protection Agency</b>				
Direct programs:				
Core Program Cooperative	66.809	VC-00290590-1	1/07-12/07	(2,415)
Core Program Cooperative	66.809	VC-97245408-0	1/08-12/08	46,711
CFDA 66.809 Subtotal				<u>44,296</u>
Multi Media Capacity	66.709	EA-97269405-1	1/06-12/08	17,041
Performance Partnership Grant	66.605	BG992672-02-3	1/06-1/10	554,520
Reynolds Superfund	66.802	V-98247701-4	10/01-12/07	32,485
Waste Lamp Education and Behavior Mgmt	66.808	X1-83139201-2	10/03-9/08	43,230
Solid Waste Impact Study	66.808	X197255207-0	4/08-3/09	2,555
CFDA 66.808 Subtotal				<u>45,785</u>
Tires Recycling	66.926	GA-97299203-2	10/03-12/06	15,530
Household Hazardous Waste	66.812	HW-97245608-0	7/08-7/10	19,136
EPA-Air Toxics	66.034	XA-97265206-1	10/06-9/08	135,653
Flouride Study	66.034	XA-98279801-5	11/02-10/06	9,646
CFDA 66.034 Subtotal				<u>145,299</u>
Passed through Indian Health Services:				
G.M. Site Specific	66.802	V002955-93-8	10/95-9/05	55,260
G.M. Site Specific	66.802	V00295508-0	10/08-9/10	20,231
CFDA 66.802 Subtotal				<u>75,491</u>
<b>Total Environmental Protection Agency</b>				<u><u>949,583</u></u>

SAINT REGIS MOHAWK TRIBE

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2008

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Grant Period	Federal Expenditures
<b>U.S. Department of Education</b>				
Direct programs:				
Vocational Rehabilitation	84.250	H250F050003-01	10/05-9/06	1,053
Vocational Rehabilitation	84.250	H250F050003-06	10/06-9/07	78,553
Vocational Rehabilitation	84.250	H250F050003-07	10/07-9/08	257,573
<b>Total U.S. Department of Education</b>				<u>337,179</u>
<b>U.S. Department of Health and Human Services</b>				
Direct programs:				
Project NS-01-989	93.441	NS-01-989	9/01-COMP	1,648
Project NS-06-C05	93.441	NS-06-C05	1/08-COMP	91,715
Project NS-08-HM1	93.441	NS-08-HM1	1/08-COMP	273,000
Project NS-07-HK1	93.441	NS-07_HK1	5/07-12/07	37,095
Project NS-06-RDP	93.441	NS-06-RDP	1/07-10/07	262,271
CFDA 93.441 Subtotal				<u>665,729</u>
Indian Health Service	93.210	65G030081-6-08	1/08-12/08	7,280,656
Low Income Home Energy/Contingency	93.568	G07JBNYLIEA	10/06-9/08	10,894
Low Income Home Energy/Contingency	93.568	G08JBNYLIEA	10/07-9/09	86,163
Low Income Home Energy/Contingency	93.568	G09JBNYLIEA	10/08-9/10	34,382
Low Income Home Energy	93.568	G07JBNYLIEA	10/06-9/08	(7,428)
Low Income Home Energy	93.568	G08JBNYLIEA	10/07-9/09	169,941
Low Income Home Energy	93.568	G09JBNYLIEA	10/08-9/10	124,269
CFDA 93.568 Subtotal				<u>418,221</u>
CCDF Discretionary	93.575	G-07PBNYCCDF	10/06-9/07	2,603
CCDF Discretionary	93.575	G-08PBNYCCDF	10/07-9/08	69,259
CCDF Discretionary	93.575	G-09PBNYCCDF	10/08-9/09	43,813
CFDA 93.575 Subtotal				<u>115,675</u>
CCDF Mandatory	93.596	G-07PBNYCCDF	10/06-9/07	79,198
CCDF Mandatory	93.596	G-08PBNYCCDF	10/07-9/08	71,142
CCDF Mandatory	93.596	G-09PBNYCCDF	10/08-9/09	44,333
CFDA 93.596 Subtotal				<u>194,673</u>
Diabetes Prevention Project	93.237	06-2321-001	10/05-9/06	718
Diabetes Prevention Project	93.237	07-2321-001	1/06-9/07	293,513
Diabetes Prevention Project	93.237	08-2321-001	10/07-9/08	178,887
CFDA 93.237 Subtotal				<u>473,118</u>
Diabetes Cardiovascular Prevention	93.442	H1D9400487-03	9/06-9/07	48,553
Diabetes Cardiovascular Prevention	93.442	H1D9400487-04	9/08-9/09	263,986
CFDA 93.442 Subtotal				<u>312,539</u>
Family Violence Protection	93.671	G-08PGNYFVPS	10/07-9/08	14,013
Headstart	93.600	90CI1535-28	12/05-11/06	(1,249)
Headstart	93.600	90CI1535-29	12/06-11/07	71,800
Headstart	93.600	90CI1515-30	12/07-11/08	569,653
Headstart	93.600	90C1515-31	12/08-11/09	51,790
CFDA 93.600 Subtotal				<u>691,994</u>
Family Support	93.560	C021061	1/07-12/07	766
Family Support	93.560	C021061	1/08-12/08	126,196
CFDA 93.560 Subtotal				<u>126,962</u>

SAINT REGIS MOHAWK TRIBE

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2008

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Grant Period	Federal Expenditures
Title VI - Part A	93.047	0701NY2689	4/07-3/08	45,005
Title VI - Part A	93.047	08010NY2689	4/08-3/09	87,614
CFDA 93.047 Subtotal				<u>132,619</u>
Title VI - Part C	93.052	0701NYT6CG	4/07-3/08	20,815
Title VI - Part C	93.052	0801NYT6CG	4/08/3/09	30,277
CFDA 93.052 Subtotal				<u>51,092</u>
NSIP-Federal	93.053	07PGNYNSIP	4/07-3/08	(2,481)
Passed through the State of New York:				
NSIP	93.053	N/A	10/07-9/08	14,090
NSIP	93.053	N/A	10/08-9/09	5,843
CFDA 93.053 Subtotal				<u>19,933</u>
Title III-E	93.052	N/A	1/08-12/08	30,755
Title III-D	93.043	N/A	1/07-12/07	1,214
Title III-D	93.043	N/A	1/08-12/08	3,081
CFDA 93.043 Subtotal				<u>4,295</u>
Titel III-B	93.044	N/A	1/07-12/07	(20)
Titel III-B	93.044	N/A	1/08-12/08	33,982
CFDA 93.044 Subtotal				<u>33,962</u>
Title III-C2	93.045	N/A	1/08-12/08	40,717
Title III-C1	93.045	N/A	1/08-12/08	40,207
CFDA 93.045 Subtotal				<u>80,924</u>
HII-CAP	93.779	N/A	4/07-3/08	5,360
HII-CAP	93.779	N/A	4/08-3/09	13,355
CFDA 93.779 Subtotal				<u>18,715</u>
<b>Total U.S. Department of Health and Human Services</b>				<u><u>10,663,394</u></u>
<b>U.S. Department of Justice</b>				
Direct programs:				
Violence Against Women-Safe Haven	16.527	2005-CW-AX-0012	9/05-8/07	13,220
Violence Against Women	16.587	VW07563636	1/08-12/08	33,737
STOP Program	16.587	2005WIAX0005	7/05-6/07	567
STOP Program	16.587	2003-WI-BS-0027	7/03-12/05	(90)
STOP DV Indian Program	16.587	2007-TW-AX-0027	9/07-8/10	231,375
CFDA 16.587 Subtotal				<u>265,589</u>
COPS Tribal Resources	16.710	2006-HEWX0062	8/06-7/08	30,974
Tribal Court Asst-DOJ	16.608	2006-IC-BX-0022	7/06-6/08	88,586
SORNA	16.750	2008-AW-BX-0020	10/08-9/09	493
<b>Total U.S. Department of Justice</b>				<u><u>398,862</u></u>

SAINT REGIS MOHAWK TRIBE

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2008

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Grant Period	Federal Expenditures
<b>U.S. Department of Transportation</b>				
Direct programs:				
Hazard Pat Emerg Prepare	20.703	HMERM8074140	9/08-9/09	2,035
Hazard Pat Emerg Prepare	20.703	HMERM7074130	9/07-9/08	11,243
CFDA 20.703 Subtotal				<u>13,278</u>
Passed through the Bureau of Indian Affairs:				
Cook Road Design	20.205	CTS51T00767	11/02-9/06	5
Design Raquette Point	20.205	CTS51700774	1/08-12/08	264,658
BIA Tarbell/Solomon Road	20.205	CTS51T00774	9/05-9/07	11,928
Transportation Planning	20.205	CTS51T00761	5/01-Comp	9,592
CFDA 20.205 Subtotal				<u>286,183</u>
<b>Total U.S. Department of Transportation</b>				<u>299,461</u>
<b>Total Federal Expenditures</b>				<u>\$16,371,913</u>

**SAINT REGIS MOHAWK TRIBE**

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

**Year Ended December 31, 2008**

**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, 2008.

**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, 2008, which collectively comprise the Tribe's basic financial statements and have issued our report thereon dated July 21, 2009. 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 08-1 through 08-5 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, of the significant deficiencies described above, we consider items 08-2, 08-4, and 08-5 to be material weaknesses.

**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 08-6.

We noted certain matters that we reported to management of Saint Regis Mohawk Tribe in a separate letter dated July 21, 2009. Additionally, 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 24, 2009 and April 16, 2009, 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

Certified Public Accountants

Great Falls, Montana  
July 21, 2009



**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, 2008. 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 \$2,610,106 in federal awards which is not included in the schedule of expenditures of federal awards for the year ended December 31, 2008. 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.

As described in items 08-8 and 08-10 in the accompanying schedule of findings and questioned costs, the Tribe did not comply with requirements regarding eligibility and background investigations that are applicable to its Childcare Development program. As described in item 08-9 in the accompanying schedule of findings and questioned costs, the Tribe did not comply with requirements regarding reporting that are applicable to its Law Enforcement and Consolidated Tribal Grant programs. Compliance with such requirements is necessary, in our opinion, for the Tribe to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, 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, 2008.

**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 and others that we consider to be material weaknesses.

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 08-7 and 08-11 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 did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

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 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  
Certified Public Accountants

**Great Falls, Montana  
July 21, 2009**

**SAINT REGIS MOHAWK TRIBE**

**Schedule of Findings and Questioned Costs**

**December 31, 2008**

**1. Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

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

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

Type of auditors' report issued on compliance for major programs: see opinions below.

Identification of major programs

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

Dollar threshold used to distinguish between Type A and Type B programs: \$ 491,157

- 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**  
**For the Year Ended December 31, 2008**

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

**08-1 Payroll - Centralized Tribal Government**

***Criteria or Specific Requirement:*** Proper documentation should be provided for all payroll expenditures, such as time cards and personnel action forms. All payroll related forms required by federal regulation should be completed and maintained.

***Condition:*** We made the following observations pursuant to our testing of internal controls over the payroll process:

- An instance where a W-4 form was not obtained and an instance where the I-9 form was not completed in its entirety.
- Five instances where hours paid did not agree to hours documented on the time sheet.

***Context:*** We reviewed a total of sixty-four payroll expenditures that were processed through the centralized Tribal government during the calendar year.

***Effect:*** Employees may have been paid for hours that were not authorized and/or worked.

***Cause:*** Established internal control procedures were not always being followed or the reasons for exceptions to the procedures were not adequately documented.

***Auditors' Recommendations:*** The Tribe should utilize its time clock system more effectively and implement a more stringent monitoring process.

SAINT REGIS MOHAWK TRIBE

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2008

2. Audit Findings in Relation to Financial Statements - Continued

08-2 Payroll - Decentralized Grocery Store Operation

**Criteria or Specific Requirement:** Proper documentation should be provided for all payroll expenditures, such as time cards and personnel action forms. All payroll related forms required by federal regulation should be completed and maintained.

**Condition:** The grocery store does not have effective written policies regarding the processing of payroll resulting in the following findings:

- Personnel action forms are not being utilized.
- Time cards are not being utilized effectively in most instances and there is no indication of an approval process over the time cards.
- Eight of the employees tested did not have a properly completed Form I-9 on file.
- One employee did not have a completed W-4 form.

**Context:** Twelve payroll expenditures were randomly selected from a population of payroll checks.

**Effect:** There is an increased risk that errors or overpayments are occurring in the processing of payroll transactions.

**Cause:** There is a lack of written procedures pertaining to payroll processing at the decentralized grocery store operation.

**Auditors' Recommendations:** The grocery store should adopt Tribal personnel policies and procedures. The store's general manager should be primarily responsible for monitoring compliance.

SAINT REGIS MOHAWK TRIBE

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2008

2. Audit Findings in Relation to Financial Statements - Continued

08-3 Expenditures - Decentralized Grocery Store Operation

**Criteria or Specific Requirement:** According to the Tribe's Manual of Financial Policies, page 26, each purchase requisition is to include the requestor's signature, the program manager's approval, procurement officer's approval, and the bookkeeper's verification. The established payment process also includes matching checks with invoices, verifying the check amount and date, stamping all purchasing attachments as "Paid" and recording the payment date on all documentation.

**Condition:** Pursuant to our testing of twenty-eight expenditures and a review of the internal controls over disbursements, we noted discrepancies with the process relating to the store's main inventory supplier. The original invoices that are received with the packing slips are not well filed and are not compared to the summary report provided by the vendor. Additionally, these invoices are not compared to the support provided by the vendor when it processes its ACH payment weekly.

**Context:** Cash payments made to suppliers was approximately \$5,000,000 for the year under audit and cost of goods sold was approximately \$4,400,000.

**Effect:** The store could be disbursing monies for goods that were not ordered or received.

**Cause:** The store is not performing key internal control functions related to its purchasing of inventory.

**Auditors' Recommendations:** We recommend that invoices be sent to the store's bookkeeper as they are received. These invoices should be held until they can be verified against the report on the weekly ACH charge. The report detailing the ACH charge should be attached to the individual invoices along with the receiving report. Management of the store should review cash management policies and procedures with the appropriate staff to ensure adherence with the established policies and procedures.

## SAINT REGIS MOHAWK TRIBE

### Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2008

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

##### 08-4 Human Services and Third Party Accounts Receivable and Revenue

**Criteria or Specific Requirement:** The modified accrual basis of accounting is utilized for all governmental funds of the Tribe. As such, revenue is recognized when measurable and available. Available is defined as collectible within sixty days after year end.

**Condition:** The amounts initially recorded as accounts receivable for the Human Services department and the clinic did not have an adequate reserve for uncollectible accounts established.

**Context:** We examined approximately \$800,000 originally recorded as accounts receivable and tested subsequent receipts of those receivables.

**Effect:** Accounts receivable and revenues were overstated by approximately \$190,000, of which \$149,000 is third party receivables and \$41,000 is human services receivables.

**Cause:** The software utilized for patient billings is decentralized from the Tribes' accounting system. Personnel responsible for providing the accounts receivable information were not evaluating those receivables for ultimate collectibility.

**Auditors' Recommendations:** The amounts recorded as accounts receivable in the patient billing software should be evaluated for collectibility. Only those amounts that meet the revenue recognition criteria for the modified accrual basis of accounting should be recorded as revenue and accounts receivable. An adequate allowance for doubtful accounts should be established for all other patient billings.

##### 08-5 Prior Period Adjustments - Accounts Payable

**Criteria or Specific Requirement:** Generally accepted accounting principles require that amounts payable to vendors be accrued in the period incurred.

**Condition:** The Tribe did not accrue material amounts of construction costs payable as of December 31, 2007 and as a result had to record a correction of an error to previously issued financial statements.

**Context:** The Tribe recorded approximately \$4 million of casino expansion costs in 2007. An additional amount of approximately \$380,000 should have been recorded as construction costs payable as of December 31, 2007 and was not.

**Effect:** Accounts payable and capital outlay expenditures were understated by a material amount in 2007.

**Cause:** Construction costs that were paid out of a separate checking account were not evaluated when determining the amount to record as accounts payable as of December 31, 2007.

**Auditors' Recommendations:** Amounts paid out of all Tribal general fund bank accounts should be evaluated for year end accrual and not just those out of the main operating account.

SAINT REGIS MOHAWK TRIBE

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2008

2. Audit Findings in Relation to Financial Statements - Continued

08-6 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.



SAINT REGIS MOHAWK TRIBE

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2008

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

08-7 Payroll

*Federal program information:*

Funding agency: Department of Health and Human Services  
Title: Indian Health Service  
CFDA number: 93.210  
Award year and number: 2008 65G030081608

**Criteria or Specific Requirement:** Proper documentation should be provided for all payroll expenditures, such as time cards and personnel action forms.

**Condition:** We made the following observation pursuant to our testing of internal controls over the payroll process:

- Three instances where hours paid did not agree to hours documented on the time sheet.

**Context:** We reviewed a total of sixty-four payroll expenditures that were processed through the centralized Tribal government during the calendar year.

**Questioned Costs:** None

**Effect:** Employees may have been paid for hours that were not worked.

**Cause:** Established internal control procedures were not always being followed or the reasons for exceptions to the procedures were not adequately documented.

**Auditors' Recommendations:** The Tribe should utilize its time clock system more effectively and implement a more stringent monitoring process.

SAINT REGIS MOHAWK TRIBE

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2008

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

08-8 **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: 2008-G08PBNYCCDF

***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:

- Four participants did not have employee work verifications, one of these participants withdrew from the program during the year.
- One participant did not have proper immunization documentation, this participant withdrew from the program during the year.
- Four participants did not have a tribal identification, one of these participants withdrew from the program during the year.
- Seven participants did not have parent agreements on file, two of these participants withdrew from the program during the year.

The following exceptions were noted for Childcare In-Home Daycare:

- Four participants were missing proper tribal identifications.
- Thirteen participants did not have proper immunization records.
- One participant birth certificate was missing.

***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

For the Year Ended December 31, 2008

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

08-9 Reporting-Variou s Programs

**Federal program information:**

Funding agency: U.S. Department of Interior  
Title: Law Enforcement and Consolidated Tribal Government Program  
CFDA number: 15.030 and 15.021  
Award year and number: 2008 CTS5IT00770 and 2008 CTS5IT00769

**Criteria or Specific Requirement:** Crime statistical reports are due to the granting agency ten days after the end of each quarter. Financial status reports, Form SF-269, are required to be filed within thirty days after the reporting period ends.

**Condition:**

- DOI Law Enforcement: The crime statistical report for third quarter (April-May-June 2008) was not submitted in a timely manner (3 months late).
- DOI CTGP: Two SF-269 forms, for the quarters ending September 30, 2008 and December 31 2008, were not submitted in a timely manner (4 months late and 1 month late, respectively).

**Context:** We examined all program and financial reports submitted for the audit period.

**Questioned Costs:** None

**Effect:** The federal agency is unable to monitor expenditures and other information in a timely manner. The federal agency may restrict and withhold grant funds for noncompliance with program and financial requirements.

**Cause:** Personnel failed to submit the program and financial reports within the required time frame.

**Auditors' Recommendations:** Program and financial 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

For the Year Ended December 31, 2008

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

08-10 Character Background Investigations - Childcare Providers

**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: 2008-G08PBNYCCDF

**Criteria or Specific Requirement:** Childcare employees and in-home providers are subject to character background investigations.

**Condition:** Five childcare in-home providers did not have documents to verify character background investigations were completed.

**Context:** Six childcare in-home providers 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:** Childcare employees and in-home providers should have proper documents on file to verify character background investigations.

SAINT REGIS MOHAWK TRIBE

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2008

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

08-11 **Expenditures - Childcare Development Block Grant**

***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: 2008-G08PBNYCCDF

***Criteria or Specific Requirement:*** According to the Tribe's Manual of Financial Policies, page 26, each purchase requisition is to include the requestor's signature, the program manager's approval, procurement officer's approval, and the bookkeeper's verification. The established payment process also includes matching checks with invoices, verifying the check amount and date, stamping all purchasing attachments as "paid" and recording the payment date on all documentation.

***Condition:*** We made the following observation pursuant to our testing of internal controls over the disbursement process:

- One expenditure included the payment of late fees, which is not an allowable cost in accordance with OMB Circular A-87.

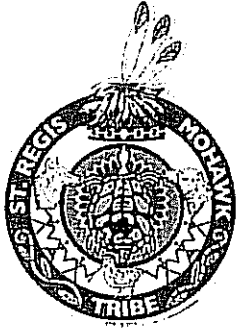
***Context:*** We reviewed a total of 20 non-payroll expenditures that were charged to the Childcare Development Block grant for the year under audit. The total amount of these expenditures was approximately \$48,000. The discrepancy noted above represents \$50 of that amount.

***Questioned Costs:*** To be determine by grantor.

***Effect:*** The program may be disbursing monies for unauthorized or unallowable expenditures.

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

***Auditors' Recommendations:*** Proper documentation and approval should be obtained for all expenditures prior to processing for payment. Any invoices processed for payment should be cancelled as "paid".



# St. Regis Mohawk Tribe

Chief James W. Ransom  
Chief Monica M. Jacobs  
Chief Mark H. Garrow  
Sub-Chief Ron LaFrance Jr.  
Sub-Chief Pamela D. Brown  
Sub-Chief Stacy A. Adams

August 21, 2009

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

Dear Ms. Madden,

The St. Regis Mohawk Tribe is in receipt of the audit for calendar year ending December 31, 2008.

We address the Schedule of Findings as follows:

08-1      Payroll – Centralized Tribal Government

*Condition: We made the following observations pursuant to our testing of internal controls over the payroll process:*

- *An instance where a W-4 form was not obtained and an instance where the I-9 was not completed in its entirety.*
- *Three instances where hours paid did not agree to hours documented on the time sheet.*

**Plan of Action:** The Human Resource Director has taken action to ensure that the missing and incomplete forms were obtained and research was completed to ensure the employees were paid the correct amount.

A memo was issued to all Program Managers on July 21, 2009 by the Human Resource Department reminding them of the responsibility to submit accurate and signed time sheets. Several informational sessions will be held for Program Managers by the HR department to address several issues which will include how to submit complete time sheets.

...2/

Additionally, the Human Resource Department has formally adopted procedures for developing personnel files; i.e. the Benefits Specialist providing in-take with such forms as W-4, I-9 and all forms relating to benefits. The Human Resource Director audits these files on a monthly basis for accuracy and completeness.

08-2      Payroll - Decentralized Grocery Store Operation

*Condition: The grocery store does not have effective written policies regarding the processing of payroll resulting in the following findings:*

- *Personnel Action Forms are not being utilized*
- *Time cards are not being utilized effectively in most instances and there is no indication of an approval process over the time cards.*
- *Eight of the employees tested did not have a properly completed Form I-9 on file.*
- *One employee did not have a completed W-4 form.*

Plan of Action: The Tribe purchased the grocery store in April 2008 from a private individual. We are currently in the process of developing Personnel Policies for the operation of the tribally owned retail grocery store using established Tribal personnel policies as a guide throughout.

Department Managers prepare employee work schedules weekly and submit them to the accounting department at the end of the week. Scheduled hours are then verified with punch time records reflected in Paychex Time In A Box and a report is printed. The reports are returned to Department Managers where they are approved and signed. Information is then forwarded electronically to Paychex for processing of weekly payroll checks.

All personnel files have been reviewed and now include required documentation. A Personnel Action Form (PAF) is being completed for all employees and will be updated to reflect all changes throughout the year. Actions taken during the year are authorized by Supervisor/Manager, Accounting Department and the General Manager.

08-3      Expenditures – Decentralized Grocery Store Operations

*Condition: Pursuant to our testing of twenty-eight expenditures and a review of the internal controls over disbursements, we noted discrepancies with the process relating to the store's main inventory supplier. The original invoices that are received with the packing slips are not well filed and are not compared to the summary report provided by the vendor. Additionally, these invoices are not compared to the support provided by the vendor when it processes its ACH payment weekly.*

Joseph Eve  
August 21, 2009  
Page 3.

Plan of Action: The Tribe purchased the grocery store in April of 2008 from a private individual. Copies of original invoices/receiving reports included with each delivery by the store's main inventory supplier are now sent to accounting after the Receiving Department has verified items ordered with items actually received. Individual invoices are then matched and attached to the vendor's weekly summary report prior to the vendor processing its weekly ACH payment.

08-4      Human Services and Third Party Accounts Receivable and Revenue

*Condition: The amounts initially recorded as accounts receivable for the Human Services department and the clinic did not have an adequate reserve for uncollectible accounts established*

Plan of Action: A policy has been developed and adopted that will accurately reflect aged accounts which are considered receivable or not collectable. All aged accounts past 120 days will be reviewed on a quarterly basis and written off as uncollectible if appropriate.

08-5      Prior Period Adjustments – Accounts Payable

*Condition: The Tribe did not accrue material amounts of construction costs payable as of December 31, 2007 and as a result had to record a correction of an error to previously issued financial statements.*

Plan of Action: Prior to the start of our 2008 audit all invoices paid during January/February 2009 were reviewed for date of service and recorded in the year service was performed. The prior period adjustment reflected in our 2008 audit was an inadvertent oversight when prepared for the 2007 audit.

08-6      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: As members of the St. Regis Mohawk Tribe some Tribal Council officials have elected to not receive withholding documents due to their belief that they are tax exempt living and working on a federally recognized reservation.

...4/



08-7      Payroll

*Condition: We made the following observation pursuant to our testing of internal controls over the payroll process:*

- *Three instances where hours paid did not agree to hours documented on the time sheet.*

Plan of Action: The Human Resource Director conducted research to ensure the employees were paid the correct amount.

A memo was issued to all Program Managers on July 21, 2009 by the Human Resource Department reminding them of the responsibility to submit accurate and signed time sheets. Several informational sessions will be held for Program Managers by the HR department to address several issues which will include how to submit complete time sheets.

08-8      Childcare Development Block Grant – Eligibility

*Condition: The following exceptions were noted for Childcare Daycare:*

- *Four participants did not have employee work verifications, one of these participants withdrew from the program during the year.*
- *One participant did not have proper immunization documentation; this participant withdrew from the program during the year.*
- *Four participants did not have a tribal identification; one of these participants withdrew from the program during the year.*
- *Seven participants did not have parent agreements on file; two of these participants withdrew from the program during the year.*

*The following exceptions were noted for Childcare In-Home Daycare:*

- *Four participants were missing proper tribal identifications.*
- *Thirteen participants did not have proper immunization records.*
- *One participant's birth certificate was missing.*

Plan of Action: All participant files are now complete. The files for those participants that have withdrawn from the program have been removed from the active files.

The Curriculum Coordinator and/or the Family Service Manager are responsible for the in take process and initiating a file for each child. The Program Manager will be responsible for ensuring completeness of each file prior to providing service to any child.

08-9      Reporting – Various Programs

*Condition:*

- *DOI Law Enforcement: The crime statistical report for third quarter (April-May-June 2008) was not submitted in a timely manner (3 months late).*
- *DOI CTGP: Two SF-269 forms for the quarters ending September 30, 2008 and December 31, 2008 were not submitted in a timely manner (4 months late and 1 month late respectively).*

Plan of Action: Law Enforcement has put a procedure in place for timely submission of the Crime Statistical Report whereby the Officer initiates the file as each case arises by entering data into the RMS system; this is reviewed by their Supervisor. The Office Manager reviews all cases on a weekly basis to ensure each case is in the correct category and at the end of each month the entire report is reviewed by the Chief of Police for accuracy and completeness. Once approved by the Chief of Police the report is submitted to the agency by the 10<sup>th</sup> of the following month. The reports are now due on a monthly basis.

The Accounting Department has developed a chart and time lines for when reports are due. All Bookkeepers are made aware of these time frames and copies of all financials are submitted to the Finance Director to ensure deadlines are met.

08-10      Character Background Investigations – Childcare Providers

*Condition: Five childcare in-home providers did not have documents to verify character background investigations were completed.*

Plan of Action. The paperwork has been completed for the home based providers to submit to background checks. It is expected that this process will take a few months to complete due to the length of time for the results.

The Curriculum Coordinator will suspend service to any Home Based Provider that has not completed a background check and filed appropriately.

08-11      Expenditures – Childcare Development Block Grant

*Condition: We made the following observation pursuant to our testing of internal controls over the disbursement process.*

...6/

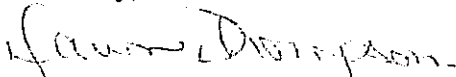
Joseph Eve  
August 21, 2009  
Page 6.

*- One expenditure included the payment of late fees, which is not an allowable cost in accordance with OMB Circular A-87.*

Plan of Action: Upon discovery of the late fee; a check was issued from the Tribal General Fund to reimburse the program. All invoices will be checked thoroughly to ensure that timely payments are made to avoid late fees. In the event late are added the programs will not be billed.

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

Sincerely,



Dawn Thompson,  
Executive Director,  
St. Regis Mohawk Tribe.

Cc Tribal Council  
Chief Financial Officer  
Assistant Executive Director  
Finance Director

**SAINT REGIS MOHAWK TRIBE**  
**Summary of Prior Year Audit Findings**

**December 31, 2008**

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

- 07 - 1      Recordkeeping - Capital Assets - Implemented**
- 07 - 2      Recordkeeping - Akwesasne Petroleum Cooperative - No longer part of the Tribe's reporting entity**
- 07 - 3      Segregation of Duties - Tribal Courts Program - Implemented**
- 07 - 4      Tribal Council Compensation - Not Implemented, see management's corrective action**
- 07 - 5      Cash Management - Implemented**
- 07 - 6      Expenditures - Implemented**
- 07 - 7      Reporting - Indian Law Enforcement - Crime Statistical Reports - Not Implemented, see management's corrective action**
- 07 - 8      Form 269A Reporting - Various Programs - Partially Implemented, see management's corrective action**
- 07 - 9      Cash Management - Various Programs - Implemented**
- 07 - 10     Law Enforcement - Special Test - Character Background Investigation - Implemented**
- 07 - 11     Headstart - Eligibility - Implemented**
- 07 - 12     Childcare Development Block Grant - Eligibility - Not Implemented, see management's corrective action**
- 07 - 13     Tribal Health - Eligibility - Implemented**
- 07 - 14     Adult Vocational Training - Eligibility - Implemented**
- 07 - 15     Childcare Development Block Grant - Reporting - Implemented**
- 07 - 16     Equipment and Property Management - Various Programs - Implemented**
- 07 - 17     Childcare Development Block Grant - Program Income - Implemented**
- 07 - 18     Allowable Costs - Various Programs - Partially Implemented, see management's corrective action**