



Osage Nation

Governmental Programs Department

*Financial Statements, Independent Auditor's Report
and
Single Audit Reporting Package
September 30, 2019*

REDW^{LLC}
CPAs | Advisors

**Osage Nation
Governmental Programs Department**

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Osage Nation
Governmental Programs Department

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Independent Auditor's Report

Principal Chief and Honorable Members of the Osage Nation Congress
Osage Nation
Pawhuska, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Osage Nation Governmental Programs Department (the "Department") as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Department's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Department's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal

control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Department as of September 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Department are intended to present the financial position and the changes in financial position and, where applicable, cash flows of only that portion of the governmental activities, each major fund, and the aggregate remaining fund information of the Osage Nation that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the Osage Nation as of September 30, 2019, and the changes in its financial position and, where applicable, cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2020, on our consideration of the Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

REDWLLC

Phoenix, Arizona
December 21, 2020

Financial Statements

Government-Wide Financial Statements

Osage Nation
Governmental Programs Department
Statement of Net Position
September 30, 2019

	<u>Governmental Activities</u>
Assets	
Current assets	
Cash	\$ 33,800,808
Restricted cash	1,553,905
Investments	58,779,926
Accounts receivable, net	1,271,301
Due from other department - proprietary funds	1,497,080
Due from funding agencies	2,322,292
Inventory	202,357
Prepaid expenses and other assets	<u>1,065,211</u>
Total current assets	<u>100,492,880</u>
Noncurrent assets	
Capital assets	
Land and construction in progress	87,597,761
Capital assets, net of accumulated depreciation	<u>55,487,703</u>
Total noncurrent assets	<u>143,085,464</u>
Total assets	<u>243,578,344</u>
Liabilities	
Current liabilities	
Accounts payable	3,616,050
Accrued liabilities	3,604,168
Unearned grant revenue	<u>33,843,256</u>
Total current liabilities	<u>41,063,474</u>
Long-term liabilities	
Compensated absences	<u>1,228,144</u>
Total long-term liabilities	<u>1,228,144</u>
Total liabilities	<u>42,291,618</u>

The accompanying notes are an integral part of these financial statements.

Osage Nation
Governmental Programs Department
Statement of Net Position — continued
September 30, 2019

Net Position

Net investment in capital assets	143,085,464
Restricted for land management	1,553,905
Restricted for program services	4,823,067
Unrestricted	<u>51,824,290</u>
Total net position	<u><u>\$ 201,286,726</u></u>

The accompanying notes are an integral part of these financial statements.

Osage Nation
Governmental Programs Department
Statement of Activities
For the Year Ended September 30, 2019

					Net (Expense) Revenue and Changes in Net Position
		Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Functions/Programs					
Governmental activities					
General government	\$ 18,000,683	\$ 2,069,504	\$ 281,339	\$ 8,485	\$ (15,641,355)
Education	11,892,000	-	2,213,467	-	(9,678,533)
Health and human services	36,872,135	5,891,508	23,934,402	607,052	(6,439,173)
Community services	1,920,444	263,996	209,221	46,372	(1,400,855)
Cultural and languages	2,048,171	9,608	68,701	-	(1,969,862)
Environmental management	1,225,051	-	687,400	-	(537,651)
Housing services	1,411,473	78,895	1,067,199	614,339	348,960
Public safety	2,571,318	254,139	837,190	10,710	(1,469,279)
Public works	742,541	-	627,818	1,698,540	1,583,817
Economic development	815,534	14,127	410,187	-	(391,220)
Total governmental activities	<u>\$ 77,499,350</u>	<u>\$ 8,581,777</u>	<u>\$ 30,336,924</u>	<u>\$ 2,985,498</u>	<u>(35,595,151)</u>
General revenues, transfers, and distributions					
Tobacco tax revenue					2,635,291
Investment revenue					1,284,419
Rental income					871,883
Transfers net, to other departments					(3,629,454)
Distributions to related parties					(1,471,834)
Distributions from gaming					45,000,000
Total general revenues, transfers, and distributions					<u>44,690,305</u>
Change in net position					9,095,154
Net position, beginning of year					192,191,572
Net position , end of year					<u>\$ 201,286,726</u>

The accompanying notes are an integral part of these financial statements.

Fund Financial Statements

Governmental Funds

Osage Nation
Governmental Programs Department
Balance Sheet — Governmental Funds
September 30, 2019

	General Fund	Grants and Contracts Fund	Total Governmental Funds
Assets			
Cash	\$ 10,494,202	\$ 21,393,414	\$ 31,887,616
Restricted cash	1,553,905	-	1,553,905
Investments	37,536,423	21,243,503	58,779,926
Accounts receivable, net	771,500	499,801	1,271,301
Due from other funds	3,261,043	-	3,261,043
Due from funding agencies	-	2,322,292	2,322,292
Inventory	-	202,357	202,357
Prepaid expenses and other assets	395,044	643,191	1,038,235
Total assets	<u>\$ 54,012,117</u>	<u>\$ 46,304,558</u>	<u>\$ 100,316,675</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 1,582,110	\$ 1,946,803	\$ 3,528,913
Accrued liabilities	1,311,674	2,026,714	3,338,388
Unearned grant revenue	-	33,843,256	33,843,256
Due to other funds	-	1,949,410	1,949,410
Total liabilities	<u>2,893,784</u>	<u>39,766,183</u>	<u>42,659,967</u>
Fund balances			
Nonspendable	395,044	845,548	1,240,592
Restricted	1,553,905	4,823,067	6,376,972
Committed	52,483,380	-	52,483,380
Assigned	-	869,760	869,760
Unassigned	(3,313,996)	-	(3,313,996)
Total fund balances	<u>51,118,333</u>	<u>6,538,375</u>	<u>57,656,708</u>
Total liabilities and fund balances	<u>\$ 54,012,117</u>	<u>\$ 46,304,558</u>	<u>\$ 100,316,675</u>

The accompanying notes are an integral part of these financial statements.

Osage Nation
Governmental Programs Department
Reconciliation of the Balance Sheet — Governmental
Funds to the Statement of Net Position
September 30, 2019

Fund balances - governmental funds \$ 57,656,708

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.

Capital assets	\$ 163,772,175	
Accumulated depreciation	<u>(20,686,711)</u>	143,085,464

Compensated balances are not due and payable in the current period and therefore are not reported in the funds	(1,228,144)
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An internal service fund is used by the Department to charge the costs of health insurance to individual funds; the assets and liabilities of the internal service fund are included in governmental activities on the statement of net position.

1,772,698

Net position of governmental activities	<u>\$ 201,286,726</u>
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Osage Nation
Governmental Programs Department
Statement of Revenues, Expenditures, and Changes in
Fund Balances — Governmental Funds
For the Year Ended September 30, 2019

	General Fund	Grants and Contracts Fund	Total Governmental Funds
Revenues			
Grants and contracts revenue	\$ -	\$ 33,322,422	\$ 33,322,422
Tobacco tax revenue	2,635,291	-	2,635,291
Program revenue	2,101,118	5,842,807	7,943,925
Indirect cost recovery	6,934,746	-	6,934,746
Investment revenue	836,568	447,851	1,284,419
Rental income	871,883	-	871,883
Other	632,017	5,835	637,852
Total revenues	<u>14,011,623</u>	<u>39,618,915</u>	<u>53,630,538</u>
Expenditures			
Current			
General government	19,054,998	281,297	19,336,295
Education	9,889,059	2,606,127	12,495,186
Health and human services	13,638,160	24,586,490	38,224,650
Community services	1,809,794	208,060	2,017,854
Cultural and languages	2,081,725	70,334	2,152,059
Environmental management	564,465	722,724	1,287,189
Housing services	395,469	1,087,597	1,483,066
Public safety	1,864,548	837,191	2,701,739
Public works	69,703	710,500	780,203
Economic development	443,400	413,500	856,900
Capital outlay	2,636,652	2,985,498	5,622,150
Total expenditures	<u>52,447,973</u>	<u>34,509,318</u>	<u>86,957,291</u>
Revenues over (under) expenditures	<u>(38,436,350)</u>	<u>5,109,597</u>	<u>(33,326,753)</u>
Other Financing Sources (Uses)			
Transfers in	56,720,398	642,302	57,362,700
Transfers out	(60,992,154)	-	(60,992,154)
Distributions to related parties	(1,471,834)	-	(1,471,834)
Gaming distributions	45,000,000	-	45,000,000
Total other financing sources, net	<u>39,256,410</u>	<u>642,302</u>	<u>39,898,712</u>
Net change in fund balances	820,060	5,751,899	6,571,959
Fund balances, beginning of year, (as restated)	<u>50,298,273</u>	<u>786,476</u>	<u>51,084,749</u>
Fund balances, end of year	<u>\$ 51,118,333</u>	<u>\$ 6,538,375</u>	<u>\$ 57,656,708</u>

The accompanying notes are an integral part of these financial statements.

Osage Nation
Governmental Programs Department
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances — Governmental
Funds to the Statement of Activities
For the Year Ended September 30, 2019

Net changes in fund balance - governmental funds \$ 6,571,959

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

Capital outlays are reported as expenditures in the fund financial statements because they use current financial resources, but they are presented as assets in the statement of net position and depreciated over their estimated economic lives.

In the current period, these amounts are:

Capital outlay	\$ 5,622,150	
Depreciation expense	<u>(3,216,836)</u>	
		2,405,314

Internal service funds are used by the Department to charge the costs of certain activities to the individual funds. The operating income of internal service funds applicable to governmental activities is reported with governmental activities.	208,418
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds

Changes in compensated absences	<u>(90,537)</u>
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Change in net position of governmental activities	<u>\$ 9,095,154</u>
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The accompanying notes are an integral part of these financial statements.

Proprietary Funds

Osage Nation
Governmental Programs Department
Statement of Net Position — Proprietary Fund
September 30, 2019

	Governmental Activities
	Internal Service Fund
Assets	
Current assets	
Cash	\$ 1,913,192
Prepaid expenses	26,976
Due from other funds	<u>185,447</u>
Total current assets	<u>2,125,615</u>
Total assets	<u>2,125,615</u>
Liabilities	
Current liabilities	
Accounts payable	87,137
Accrued liabilities	27,474
Health claims payable	<u>238,306</u>
Total liabilities	<u>352,917</u>
Net Position	
Unrestricted	<u>1,772,698</u>
Total net position	<u><u>\$ 1,772,698</u></u>

The accompanying notes are an integral part of these financial statements.

Osage Nation
Governmental Programs Department
Statement of Revenues, Expenses and Changes in
Net Position — Proprietary Fund
For the Year Ended September 30, 2019

	Governmental Activities
	Internal Service Fund
Operating Revenues	
Claims cost recovery	\$ 3,981,939
Total operating revenues	<u>3,981,939</u>
Operating Expenses	
Health claims expense	<u>3,773,521</u>
Total operating expenses	<u>3,773,521</u>
Operating income	208,418
Net position, beginning of year	<u>1,564,280</u>
Net position , end of year	<u><u>\$ 1,772,698</u></u>

The accompanying notes are an integral part of these financial statements.

Osage Nation
Governmental Programs Department
Statement of Cash Flows — Proprietary Fund
For the Year Ended September 30, 2019

	Governmental Activities
	<u>Internal Service Fund</u>
Cash flows from operating activities	
Cash received from other funds and departments	\$ 3,796,492
Cash paid for claims	<u>(3,644,757)</u>
Net cash provided by operating activities	<u>151,735</u>
Net increase in cash	151,735
Cash, beginning of year	<u>1,761,457</u>
Cash, end of year	<u><u>\$ 1,913,192</u></u>
 Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 208,418
Adjustments to reconcile operating income to net cash provided by operating activities	
Changes in assets and liabilities	
Accrued liabilities	8,360
Due to other funds	(185,447)
Health claims liability	<u>120,404</u>
Net cash provided by operating activities	<u><u>\$ 151,735</u></u>

The accompanying notes are an integral part of these financial statements.

Osage Nation
Governmental Programs Department
Notes to Financial Statements
September 30, 2019

1) Organization and Summary of Significant Accounting Policies

The Osage Nation Governmental Programs Department (the “Department”) is an organizational unit of the Osage Nation (the “Nation”), formerly known as the Osage Tribe of Indians of Oklahoma. The Nation is composed of the descendants of persons listed on the 1906 Osage Allotment Roll. There are currently approximately 25,000 tribal members. The Nation is located in Osage County in North Central Oklahoma on 2,200 acres and includes the cities of Hominy, Fairfax and Pawhuska. The main Tribal office is in Pawhuska, Oklahoma.

Effective March 11, 2006, the Nation adopted a new constitution, duly ratified by a vote of the Osage people. On July 1, 2006, the Osage Nation Congress and Executive Officers assumed operational control of the Osage Nation. The governing body of the Nation is vested in three separate branches: Legislative, Executive and Judicial. The Legislative branch consists of 12 representatives elected at large. The Osage Nation Congress’ primary responsibility is to draft the laws for the Nation. The voting members of the Nation hold elections every two years where six of the twelve Osage Nation Congress representatives’ seats are voted on a rotating basis with each representative being elected to a four-year term. The Executive branch provides the executive power of the Nation and consists of a Principal Chief and an Assistant Principal Chief. Principal Chief and Assistant Principal Chief are elected to four-year terms as determined by the voting members of the Nation. The Executive branch includes a Department of the Treasury. The Judicial branch provides the judicial powers of the Nation; these powers are vested in one Supreme Court, a lower Trial Court and such inferior courts as the Osage Nation Congress may ordain and establish.

Pursuant to the Osage Allotment Act of June 28, 1906, the Osage Nation Constitution of 2006 reserves the mineral estate of the Osage Reservation to the Nation. Under this act, the Nation is required to allocate and distribute the revenue from the minerals estate to those who are entitled to receive such mineral royalty income from the mineral estate as provided by federal law. Prior to 2006, the Osage Tribal Council was responsible for the protection and preservation of the mineral estate and ensuring the rights of members of the Nation to income derived from the mineral estate. In 2006, a new constitution was approved, which separated the mineral estate from the tribal government and created a minerals management agency, the Osage Minerals Council, to protect and preserve the mineral estate and ensure the rights of members of the Nation. The Osage Minerals Council consists of Nation members who are entitled to receive mineral royalty income from the mineral estate as provided by federal law. The Osage Minerals Council is recognized by the Nation’s government as an independent agency within the Nation established for the sole purpose of continuing the previous duties of the Osage Tribal Council to administer and develop the mineral estate in accordance with the Osage

Osage Nation
Governmental Programs Department
Notes to Financial Statements
September 30, 2019

Allotment Act of June 28, 1906. Pursuant to the Osage Nation Constitution of 2006, the Osage Minerals Council is elected to serve a four-year term by Nation members entitled to receive mineral royalty income. The Osage Minerals Council has no legislative authority for the Nation's government. The administrative costs of the Osage Mineral Council are included in the General Fund in the accompanying financial statements. Funding for these costs comes primarily through an annual allocation from the Bureau of Indian Affairs, which is reported in program income in the General Fund. The distribution of mineral royalty income to entitled mineral royalty income owners is administered by the Bureau of Indian Affairs; these distributions are not received by the Department and are not reflected in the accompanying financial statements.

Reporting Entity

The Department administers all federal, state, and private contracts received by the Nation and is comprised of the following funds:

Governmental Funds

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

Grants and Contracts Fund—The grants and contracts fund accounts for the proceeds of specific revenue sources legally restricted to expenditures for specific purposes. Federal and state intergovernmental contracts and grants are predominantly accounted for in this fund.

Proprietary Fund

Internal Service Fund—The Department uses an internal service fund to account for a self-funded health insurance benefit plan.

The Department does not administer any business-type activities.

Basis of Presentation

The Department's financial statements conform with generally accepted accounting principles (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.

Basic Financial Statements

The basic financial statements of the Department include department-wide statements and fund financial statements. The focus is on the Department as a whole in the department-

Osage Nation
Governmental Programs Department
Notes to Financial Statements
September 30, 2019

wide statements, while reporting additional and detailed information about the Department's major governmental activities in the fund financial statements.

Department-Wide Financial Statements

The Department-wide statement of net position and statement of activities display information about the Department's primary government.

The statement of net position reports the assets and liabilities of the Department. The net position section of this statement represents the residual amount of assets less their associated liabilities, and is divided into three categories. The first category is the net investment in capital assets, which includes all capital assets, net of accumulated depreciation, less any debt outstanding associated with the assets. Capital assets cannot readily be sold and converted into cash. The second category is restricted net position, which includes those assets that have a constraint placed on their use. The constraints are either: 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or 2) imposed by law through ordinances or enabling legislation. The third category is unrestricted net position, and this represents net position that generally can be used for any purpose. However, they are not necessarily in a spendable form, like cash.

A statement of activities presents a comparison between direct expenses and program revenues for each function of the Department's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The Department allocates indirect costs using a negotiated rate applied to the direct cost base of the applicable program. These allocated expenses are removed from the general government function and are added to the applicable program's function on the statement of activities. Program revenues include:

- ♦ charges to customers or applicants for goods, services, or privileges provided,
- ♦ operating grants and contributions, and
- ♦ capital grants and contributions.

Governmental activities are financed primarily through sales and excise taxes, federal grants and distributions received from the Osage Casinos. During the year ended September 30, 2019, distributions from the Osage Casinos amounted to \$45,000,000.

Generally, the effect of interfund activity has been eliminated from the department-wide financial statements to minimize the double counting of internal activities. However, charges for interfund services provided and used are not eliminated if the prices approximate their external exchange values.

Osage Nation
Governmental Programs Department
Notes to Financial Statements
September 30, 2019

Fund Financial Statements

The fund financial statements provide information about the Department's funds. Separate statements for each fund category, governmental and proprietary, are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. The Department's major governmental funds include the general fund and grants and contracts fund.

The Department has one proprietary fund, and internal service fund, which is comprised of a self-funded health insurance plan.

Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual method 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. Nonexchange transactions in which the Department gives (or receives) value without directly receiving (or giving) equal value in exchange include 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 and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating revenues 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 Department considers all revenue reported in the governmental funds to be available if the revenue is collected within 90 days after year-end. Expenditures are recorded when the related fund liability is incurred. 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 and uses.

Economic Dependency

The Department receives a significant portion of its governmental fund type revenues from various grants funded by federal and state governments, which are subject to legislative change.

Osage Nation
Governmental Programs Department
Notes to Financial Statements
September 30, 2019

Cash and Investments

Restricted cash amounts represent funds held on deposit with the U.S. Department of Interior for the purpose of future land management activities.

Short-term investments are stated at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. In addition, short-term investments are presented in the financial statements in accordance with GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, which addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk.

Investments are reported at fair value which is the amount at which financial instruments could be exchanged in a current transaction between willing parties. The Department may hold investments consisting of U.S. government obligations and short-term interest-bearing investments consisting of certificates of deposit, mutual funds, and other income producing securities. Money market accounts and certificates of deposits are carried at cost because they are not affected by market rate changes. Investment earnings, including interest income, are recorded in the funds which hold the cash and investments. The Department categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both department-wide and fund financial statements.

Interfund Receivables/Payables

During the course of operations, transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as due from other funds or due to other funds on the accompanying fund financial statements and are eliminated in the accompanying government-wide financial statements. Interfund transactions are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transfers are reported as transfers. Balances outstanding between the Department and other departments of the Tribe are reported in the financial statements as “due to/from other departments.”

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Accounts Receivable

The Department records normal business receivables as well as loans to tribal employees and travel advances. All reported amounts are shown net of any allowances. An allowance of \$392,861 has been recorded to allow for estimated uncollectible health clinic billings.

Due From Funding Agencies

Due from funding agencies consist of amounts due for reimbursement of approved expenditures on grants and contracts entered into with various governmental agencies. Receivables of this nature are not collateralized and are considered fully collectible. Amounts received from the federal government for grants and contracts are recognized as revenue when they are expended or obligated.

Inventories

Inventories are valued at average cost. Cost is determined using the first-in, first-out (FIFO) average cost method.

Capital Assets and Depreciation

In the government-wide and proprietary fund financial statements, certain acquisitions are accounted for as capital assets. All capital assets are valued at historical cost, net of accumulated depreciation. The cost of normal maintenance and repairs to these assets that do not add materially to the value of the asset or materially extend the assets' useful lives are not capitalized.

Capital assets are recorded at cost where historical records are available and at estimated cost where no historical records exist. 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 a historical cost associated with these assets. 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:

Asset Category	Capitalization Threshold	Years
<i>Governmental Activities</i>		
Buildings and improvements	\$ 10,000	25
Furniture, fixtures, and equipment	\$ 10,000	10
Vehicles and mobile equipment	\$ 10,000	5

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The Department follows a capitalization threshold of \$5,000 when purchasing capital assets with federal grant money. The Department accounts for the impairment of capital assets using the guidance provided in GASB Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries. GASB Statement No. 42 is a two-step process of identifying potential impairments and testing for impairment. Asset impairment, as defined by GASB Statement No. 42, is a significant, unexpected decline in the service utility of a capital asset. Governments generally hold capital assets because of the services the capital assets provide; consequently, capital asset impairments affect the service utility of the assets. The events or changes in circumstances that lead to impairments are not considered normal and ordinary. At the time the capital asset was acquired, the event or change in circumstances would not have been expected to occur during the useful life of the capital asset. The Department had no impaired assets at September 30, 2019.

Compensated Absences

Employees of the Department accrue vested paid time off (PTO) at a variable rate based on years of service. It is the Department's policy to liquidate unpaid PTO leave at September 30 from future sources rather than currently available expendable resources. Accordingly, governmental funds recognize annual leave when it is paid. Compensated absence liability at September 30, 2019, totaled \$1,228,144 for governmental activities. This amount is recorded in the accompanying government-wide statement of net position and is a reconciling item between the government-wide statement of net position and the governmental funds balance sheet. Employees accrue PTO at a rate of 6 hours per pay period for 0-3 years tenure, 8 hours per pay period for 3-10 years tenure, 10 hours per pay period for 10 or more years tenure. Employees can accrue a maximum of 260 hours of personal time off. If an employee reaches the maximum hours, leave will cease to accrue until the balance falls below 260.

Income Taxes

The Nation and its enterprises are exempt from federal and state income taxes based upon its sovereign nation status as a Native American Tribal Government. Accordingly, no provision for income tax expense or liability has been reflected in the accompanying financial statements.

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 in the General Fund and allocated to applicable programs based on a negotiated indirect cost agreement. A rate of 20.58% was charged to all contributing programs based on total expenditures less items classified as pass-through expenditures. This rate was negotiated with the Interior Business Center, U.S. Department of Interior, for fiscal year 2019.

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Fund Equity

The financial statements have been presented in accordance with the reporting model required by GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. The intention of the Statement is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

GASB Statement No. 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash, such as inventories, prepaid amounts, and long-term notes receivable, or they are legally or contractually required to remain intact. In addition to the nonspendable fund balance, GASB Statement No. 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

Restricted—fund balances that are restricted for specific purposes stipulated by external parties, constitutional provisions, or enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

Committed—fund balances that can only be used for the specific purposes determined by a formal action of the Department’s highest level of decision-making authority, the Osage Nation Congress. Commitments may be changed or lifted only by the Department taking the same formal action that imposed the constraint originally (for example a resolution or ordinance).

Assigned—fund balances that are intended to be used by the Department for specific purposes that are neither restricted nor committed. Intent is expressed by (a) the Director of Finance, or (b) an appointed body (such as budget or finance committee) or official to which the Congress has delegated the authority to assign, modify, or rescind amounts to be used for specific purposes. Assigned amounts also include all residual amounts in governmental funds (except negative amounts) that are not classified as nonspendable, restricted or committed. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund, are assigned for purposes in accordance with the nature of their fund type.

Unassigned—fund balance of the general fund that is not constrained for any particular purposes. It is also the residual classification for all negative fund balances.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of nonspendable, restricted, committed, assigned, and unassigned.

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In the government-wide financial statements, net position are classified in the following categories:

Net investment in capital assets—This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.

Restricted—this amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments, enabling legislation, or constitutional provisions.

Unrestricted—this amount is all net position that does not meet the definition of “net investment in capital assets” or “restricted net position.”

Unearned Grant Revenue

Unearned grant revenue represents amounts that have been received by the programs from the respective funding agencies that have not yet been expended for the intended purposes.

Budgets and Budgetary Accounting

The Department prepares annual budgets for its funds, but they are not included in these financial statements. Budgetary comparison schedules are not required for the general fund and grants and contracts fund as the budgets are not legally adopted. Budgets for federal and state grant funds are required by the grantor agencies. The budgets for federal and state grants are subject to final approval by the grantor agencies. During the year, budget modifications are made due to changes in funding and needs of the programs. All budget appropriations lapse at year-end.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

New Governmental Accounting Standards Board (GASB) Pronouncements

The following GASB pronouncements have been issued, but are not yet effective at September 30, 2019:

- ♦ GASB Statement No. 84, *Fiduciary Activities*
- ♦ GASB Statement No. 87, *Leases*
- ♦ GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
- ♦ GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*

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- ♦ GASB Statement No. 90, *Majority Equity Interests, an Amendment of GASB Statements No. 14 and No. 61*
- ♦ GASB Statement No. 91, *Conduit Debt Obligations*
- ♦ GASB Statement No. 92, *Omnibus 2020*
- ♦ GASB Statement No. 93, *Replacement of Interbank Offered Rates*
- ♦ GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*
- ♦ GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*
- ♦ GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*
- ♦ GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*

The Department will implement the new GASB pronouncements in the fiscal year no later than the required effective date. The impact of these pronouncements on the Department's financial statements has not yet been determined.

2) Cash

The composition of cash and cash equivalents at September 30, 2019, is as follows:

Governmental Activities

Cash	\$ 33,800,808
Restricted cash	<u>1,553,905</u>
	<u>\$ 35,354,713</u>

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Department's deposits may not be returned to it. The Department does not have a deposit policy for custodial credit risk. At September 30, 2019, the carrying amount of the Department's governmental activities cash was \$35,354,713. Aggregate demand deposit bank balances were \$40,651,311. Of the bank balances, \$592,898 was covered by the Federal Deposit Insurance Corporation (FDIC) and the remaining balance was secured by collateral pledged by the Department's financial institution.

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3) Investments

The Department adopted an investment policy to govern the administration of the Department's investment portfolio assets. The Department's portfolio is managed by an external advisor who has full responsibility for investing funds placed with the organization within the parameters of the investment policy approved by the Department. The criteria for investing must adhere to the order of priority stated in the investment policy: 1) Safety, 2) Liquidity, 3) Yield and 4) Capital growth.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Department will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All investment transactions for the Department are conducted on a deliver-versus-payment basis. Securities are held by a third-party custodian designated by the Treasurer and evidenced by trade confirmation receipts. At September 30, 2019, the balance of securities held by the third-party custodian was approximately \$34,777,843. Certificates of deposits held by financial institutions totaled \$24,002,083.

Concentration of Credit Risk

The Department's investments are comprised of the following as of September 30, 2019:

Governmental Activities	Fair Value	Concentration Percentage
Money market investments	\$ 34,777,843	59.17%
Certificates of deposit	<u>24,002,083</u>	<u>40.83%</u>
Total investments	<u>\$ 58,779,926</u>	<u>100.00%</u>

Fair Value Measurement

The Department's investments were measured and reported at fair value and are classified according to the following hierarchy:

- ♦ Level 1 – Investments reflect prices quoted in active markets.
- ♦ Level 2 – Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active.
- ♦ Level 3 – Investments reflect prices based upon unobservable sources.

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The categorization of investments within the hierarchy is based on up on the pricing transparency of the instrument and should not be perceived as the particular investment's risk. The following table sets forth by level, within the fair value hierarchy, the Department's assets at fair value as of September 30, 2019:

	Level 1	Level 2	Level 3	Total
Investment type				
Money market investments	\$ -	\$ 34,777,843	\$ -	\$ 34,777,843
Total investments accounted for at fair value	\$ -	\$ 34,777,843	\$ -	34,777,843
Certificates of deposit (excluded from fair value measurement)				24,002,083
Total investments				\$ 58,779,926

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes to market interest rates.

The Department's investment policy limits the maximum effective maturity of any single security to 30 years and provides that the market weighted-average effective maturity of any managed portfolio should be within +/-25% of the market value weighted-average effective duration of the manager's appropriate index. Securities held in short-term working capital portfolios are limited securities administered under short-term active duration management.

At September 30, 2019, the Department's investment maturities, for applicable investments, are as follows:

Governmental Activities	Fair Value	Investment Maturities (In Years)	
		Less Than 1	Greater Than 1
Money market investments	\$ 34,777,843	\$ 34,777,843	\$ -
Certificates of deposit	24,002,083	24,002,083	-
Total investments subject to interest rate risk	\$ 58,779,926	\$ 58,779,926	\$ -

Credit Risk – Investments

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment.

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The Department's investment policies require that cash and cash equivalents shall consist of money market instruments having a credit quality of "AA" or higher from a national rating agency. The Department's bond credit concentration is expressed as a percentage of the total market value of the investment portfolio. Equity securities must have a minimum market capitalization of equity of \$500,000,000 and no one company shall represent more than 5.0% of the investment portfolio based on cost. Bonds and convertible bonds are subject to credit rating limits from a nationally recognized credit agency.

At September 30, 2019, the Department held investments with the following associated credit risk:

Investment Type	Rating	Rating Agency	Investment Balance
Money market investments	AAA-AA	Standard & Poor's	\$ 34,777,843

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of the Department's deposits. As of September 30, 2019, the Department's investments were not exposed to foreign currency risk.

4) Due From Funding Agencies

The following amounts are due from the respective funding agencies at September 30, 2019, for grant/contract program reimbursements reported in the governmental funds:

U.S. Department of Health and Human Services	\$ 1,241,310
U.S. Department of Agriculture	520,851
U.S. Department of the Interior	175,064
U.S. Department of Justice	135,955
U.S. Department of Housing and Urban Development	64,329
U.S. Department of Transportation	57,226
National Park Service	44,394
Environmental Protection Agency	43,546
Institute of Museum and Library Services	4,537
State, Private, and other Funding	35,080
Total	<u><u>\$ 2,322,292</u></u>

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5) Interfund and Transfer Activity

The Department uses interfund accounts for temporary borrowing between funds. No repayment dates have been established, but borrowings are generally expected to be repaid within the current period.

Interfund receivables and payables balances at September 30, 2019, are summarized as follows:

	Due-To Other Funds	Due From Other Funds
General fund	\$ -	\$ 3,261,043
Grants and contracts fund	1,949,410	-
Internal service	-	185,447
Other departments - business-type funds	1,739,171	242,091
Total	<u>\$ 3,688,581</u>	<u>\$ 3,688,581</u>

Interfund Transfers

Interfund transfers are used when resources of one fund are used to subsidize a portion of operations accounted for in another fund or department. Interfund transfers for the year ended September 30, 2019, are summarized as follows:

	Transfers From Other Funds	Transfers To Other Funds
General fund	\$ 56,720,398	\$ 60,992,154
Grants and contracts fund	642,302	-
Other departments - business-type funds	5,445,589	1,816,135
Total	<u>\$ 62,808,289</u>	<u>\$ 62,808,289</u>

The principal purposes of the transfers are to fund programs and to manage cash flow. The General Fund transfers funds as determined by Osage Nation Congress' legislative act to meet cash match requirements or to supplement funding for programs. The Osage Revenue Tax Commission transfers residual income to the General Fund annually. The Osage Revenue Tax Commission net residual amount for fiscal year 2019 that was transferred to the General Fund was \$1,373,557.

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6) Capital Assets

Capital asset activity for the year ended September 30, 2019, is summarized as follows:

	Primary Governmental				
	Balance at October 1, 2018	Additions	Disposals	Transfers	Balance at September 30, 2019
Capital assets, not being depreciated					
Land	\$ 79,653,016	\$ 91,000	\$ -	\$ -	\$ 79,744,016
Construction in progress	6,337,145	3,605,604	-	(2,089,004)	7,853,745
Total capital assets, not being depreciated	<u>85,990,161</u>	<u>3,696,604</u>	<u>-</u>	<u>(2,089,004)</u>	<u>87,597,761</u>
Capital assets, being depreciated					
Buildings and improvements	64,902,235	225,562	-	2,089,004	67,216,801
Furniture, fixtures and equipment	4,407,937	1,372,367	(21,070)	-	5,759,234
Vehicles	2,870,762	327,617	-	-	3,198,379
Total capital assets, being depreciated	<u>72,180,934</u>	<u>1,925,546</u>	<u>(21,070)</u>	<u>2,089,004</u>	<u>76,174,414</u>
Less accumulated depreciation for					
Buildings and improvements	(12,653,027)	(2,468,565)	-	-	(15,121,592)
Furniture, fixtures and equipment	(2,334,124)	(517,184)	21,070	-	(2,830,238)
Vehicles	(2,503,794)	(231,087)	-	-	(2,734,881)
Total accumulated depreciation	<u>(17,490,945)</u>	<u>(3,216,836)</u>	<u>21,070</u>	<u>-</u>	<u>(20,686,711)</u>
Total capital assets, being depreciated, net	<u>54,689,989</u>	<u>(1,291,290)</u>	<u>-</u>	<u>2,089,004</u>	<u>55,487,703</u>
Total capital assets, net	<u>\$ 140,680,150</u>	<u>\$ 2,405,314</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 143,085,464</u>

The governmental funds allocated depreciation expense in the government-wide financial statements to the primary government functions as follows:

	Governmental Activities
General government	\$ 1,168,457
Education	494,189
Health and human services	1,108,112
Community services	79,805
Cultural and languages	85,113
Environmental management	50,909
Housing services	58,655
Public safety	106,853
Public works	30,855
Economic development	33,888
	<u>\$ 3,216,836</u>

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7) Compensated Absences

Changes in compensated absences for the year ended September 30, 2019, were as follows:

	Balance at October 1, 2018	Additions	Deductions	Balance at September 30, 2019
Governmental activities				
Compensated absences	\$ 1,137,607	\$ 978,206	\$ (887,669)	\$ 1,228,144

8) Unearned Grant Revenue

The following governmental fund monies received from the respective funding agencies were unspent as of September 30, 2019:

U.S. Department of Transportation	\$ 19,561,446
U.S. Department of Health and Human Services	9,321,195
U.S. Department of the Interior	4,815,883
U.S. Department of Education	135,088
National Park Service	7,777
U.S. Department of Agriculture	1,835
U.S. Department of Housing and Urban Development	32
Total	<u>\$ 33,843,256</u>

9) Risk Management

The Department is self-insured up to certain limits for employee group health claims. The Department has purchased stop-loss insurance, which will reimburse the Department for individual claims in excess of \$225,000 annually and for aggregate claims with a minimum attachment point of \$11,375,449. The insurance contract runs October 1 through September 30 of the next fiscal year. Operations are charged with the cost of claims reported less stop-loss reimbursement received.

The claims liability has been estimated based on open claims at September 30, 2019, and is included in accrued liabilities on the statement of net position. The Department believes that this method of estimating the liability is sufficient to determine the amount

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of open claims and to provide for claims that have been incurred but not reported (IBNR). This liability includes all open claims for the health plan. A summary of the estimated aggregate liability for claims, including claims incurred but not reported at September 30, 2019 and 2018, is as follows:

	<u>2019</u>	<u>2018</u>
Unpaid claims, beginning of year	\$ 117,902	\$ 119,692
Incurred claims, including IBNR's	3,893,925	3,974,916
Claim payments	<u>(3,773,521)</u>	<u>(3,976,706)</u>
Unpaid claims, end of year	<u>\$ 238,306</u>	<u>\$ 117,902</u>

The Department is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees (i.e., workers' compensation), tort actions and environmental damage. A variety of methods are 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. Given the lack of coverage available, the Department has no coverage for potential losses due to environmental damages. The amounts of any potential future losses for environmental damages are unknown.

10) Osage Nation Members' Health Benefits

The Department provides for an annual health benefit for all members. The health benefit provides a maximum of \$500 per year for eligible health care costs for members under age 65 and up to \$1,000 per year for members over age 65. The health benefit plan offers members over 65 an option of either the \$1,000 maximum benefit or a supplemental Medicare policy. The health benefit plan operates on a calendar year and is administered by a third-party administrator. For fiscal year 2019, the expenditures for member benefits were \$9,856,434. The Department expenses the benefit payments as they are paid to the third-party administrator. There is a nominal time lag between receipt of claims by the third-party administrator and payment by the Department. As a result, no liability is reflected for this program in the accompanying financial statements. The Osage Nation Congress appropriates funds to cover the estimated cost of the health benefit each fiscal year. The unspent balance of the appropriation at September 30, 2019, was \$1,309,287 and is reported as committed fund balance in the General Fund.

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11) Components of Fund Balance

At September 30, 2019, components of fund balance are classified as follows:

	General Fund	Grants and Contracts	Total Governmental Funds
Nonspendable	\$ 395,044	\$ 845,548	\$ 1,240,592
Restricted			
Restricted by BIA - Land Management	1,553,905	-	1,553,905
Restricted for grant purpose	-	4,823,067	4,823,067
Total restricted	1,553,905	4,823,067	6,376,972
Committed for			
Burial assistance	141,899	-	141,899
Regional gathering	34,022	-	34,022
Matching grant	1,116,784	-	1,116,784
Pawhuska village committee	150,961	-	150,961
Hominy village committee	7,375	-	7,375
Property improvement fund	1,536,706	-	1,536,706
Education scholarships	1,405,188	-	1,405,188
Education partnership fund	77,809	-	77,809
Commercial property	29,702	-	29,702
Minerals council programs	1,969,611	-	1,969,611
Donations	2,445,250	-	2,445,250
Health benefits	1,309,287	-	1,309,287
Restricted property purchase	85,124	-	85,124
Permanent fund	32,399,254	-	32,399,254
Retained revenue	2,378,589	-	2,378,589
Tax relief fund	2,145,503	-	2,145,503
Campus construction	155,222	-	155,222
Capital improvements	3,671,550	-	3,671,550
Tribal development	78,479	-	78,479
Health clinic construction	970,790	-	970,790
Museum	30,523	-	30,523
Osage war memorial	135,763	-	135,763
Freeman monument	10,000	-	10,000
Code fund	24,754	-	24,754
Bar association	60,375	-	60,375
Fund/court fees	112,860	-	112,860
Total committed	52,483,380	-	52,483,380
Assigned			
Program outcomes	-	869,760	869,760
Unassigned	(3,313,996)	-	(3,313,996)
Total fund balances	\$ 51,118,333	\$ 6,538,375	\$ 57,656,708

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The Department established a Permanent Fund through Legislation (ONCA 12-85). The Permanent Fund is invested in accordance with the Department's approved investment policy, and investment earnings are available for general appropriations. The Department may not borrow, encumber or appropriate funds from the Permanent Fund except for expenditure on direct services for Osage Nation membership.

12) Retirement Plan

Effective March 19, 2010, the Department entered into the Osage Nation 401(k) plan administered by the Bank of Oklahoma Financial. Effective December 16, 2015, the Department appointed a successor trustee, custodian and record- keeper for the Osage Nation 401(k) plan, Bank of Oklahoma Financial, NA. The Department will match up to 5% of each employee's actual compensation. Employee contributions are allowed up to the annual limits as established by the Internal Revenue Service. The employees are 100% vested in the 401(k) plan. Contributions made by the employees to the 401(k) plan for the year ended September 30, 2018, were approximately \$973,711. Contributions made by the Department to the 401(k) plan for the employees for the year ended September 30, 2019, were approximately \$805,249.

The Osage Nation Congress established a separate 401(k) plan for congressional members in 2013, administered by John Hancock. The plan allows for contributions up to the aggregate legal limits established by the Internal Revenue Service and provides for an annual match up to 7.65% of annual compensation. Members of the Osage Nation Congress may participate in the employee 401(k) plan as well as the special Congressional 401(k) plan. Contributions made by congressional members for the year ended September 30, 2019, were approximately \$55,765. Contributions made by the Nation to the Congressional 401(k) plan for the year ended September 30, 2019, were approximately \$32,361.

13) Tobacco Compact

The Nation and the State of Oklahoma entered into a compact for taxation of tobacco products effective November 1, 2013. The compact provides for a compact tax equal to 100% of all applicable state taxes on cigarettes and other tobacco products in effect at the time of sale. The compact further stipulates that the compact tax will be collected by the state directly from the wholesaler and the wholesaler must collect the compact tax directly from the retailers. Under the terms of the compact, the state and the Department will share the total taxes collected. The initial share to the Nation was 70% of all compact

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taxes collected, declining to 50% effective January 1, 2017. The compact terminates on December 31, 2023; however, either party may unilaterally terminate the compact without cause by giving the other party 180 days' written notice. During fiscal year 2019, the Department received \$2,635,291 in revenue under this compact.

14) Related-Party Transactions

During 2019, Osage Casinos distributed \$45,000,000 to the Department. The Department distributed \$350,000 to Bluestem Ranch, LLC, \$156,585 to Osage, LLC, \$600,000 to Osage Nation Energy Service, and \$221,733 to the Osage Nation Foundation. These amounts are included as part of distributions to related parties in the statement of activities.

15) Commitments and Contingencies

Federal Grants

In the normal course of operations, the Department receives grant funds from various federal agencies. The grant programs are subject to audit by the agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. The Department does not believe that any liability for reimbursement which may arise as the result of such audits will be material to the Department's operations.

Litigation

The Department is involved in litigation from time-to-time as part of its ongoing operations. As of September 30, 2019, the Department is not aware of any pending litigation that would result in substantial losses.

16) Restatement

For the fiscal year ended September 30, 2019, the Department has made several changes to the presentation of its financial statements that have impacted beginning fund balance and net position. All special revenue funds previously reported by federal agency have been consolidated into a grants and contracts fund. Funds previously reported as

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Notes to Financial Statements
September 30, 2019

nonmajor have been reclassified and are now reported under either the general fund or the grants and contracts fund. These changes are summarized as follows:

	Fund Balance at September 30, 2018, as Previously Reported	Impact of Change in Fund Classifications	Fund Balances, October 1, 2018, as Restated
<i>Governmental Activities</i>			
General Fund	\$ 50,181,584	\$ 116,689	\$ 50,298,273
Department of Housing and Urban Development	145,306	(145,306)	-
Department of Health and Human Services	119,500	(119,500)	-
Department of Interior	351,182	(351,182)	-
Department of Transportation	203,341	(203,341)	-
Department of Agriculture	-	-	-
Nonmajor Governmental Funds	83,836	(83,836)	-
Grants and Contracts Fund	-	786,476	786,476
Total	<u>\$ 51,084,749</u>	<u>\$ -</u>	<u>\$ 51,084,749</u>

17) Subsequent Event – COVID-19 Pandemic

COVID-19 Pandemic

At the time of this report's release, citizens and the economies of the United States and other countries have been impacted by the coronavirus (COVID-19) pandemic. The World Health Organization declared a Public Health Emergency on January 30, 2020. The evolution of the virus, the extent of its economic impact and the results of steps taken and yet to be taken by governments and financial institutions are unknown. Governments and businesses may face supply chain disruptions, labor shortages, revenue declines, an increase in bad debts, reduced cash flow, credit difficulties, and other financial implications. The significance and the duration of the pandemic's financial impact are indeterminable. These financial statements do not consider the potential financial implications of the pandemic.

CARES Act Funds

On March 27, 2020, President Trump signed into law the "Coronavirus Aid, Relief, and Economic Security (CARES) Act." The CARES Act provides a broad range of funding for governments and businesses.

Osage Nation
Governmental Programs Department
Notes to Financial Statements
September 30, 2019

Through the Coronavirus Relief Fund, the CARES Act provides for payments to State, Local, and Tribal governments for necessary expenditures incurred due to the public health emergency with respect to COVID-19; were not accounted for in the budget most recently approved as of March 27, 2020 (the date of enactment of the CARES Act) for the State or government; and are incurred during the period that begins on March 1, 2020, and ends on December 30, 2020. CARES Act monies related to the Coronavirus Relief Fund received subsequent to fiscal year-end and the associated federal agency in which the funds were received from are summarized as follows:

CARES Act Funds

Department of Treasury	\$ 44,879,314
Department of the Interior	6,329,168
Indian Health Services	1,492,451
Department of Health and Human Services	<u>1,356,885</u>
Total CARES Act Tribal assistance funds received	<u>\$ 54,057,818</u>

Supplementary Information

Osage Nation
Governmental Programs Department
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2019

Federal Grantor and Program Title	CFDA Number	Pass-Through Entity or Other Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557		\$ 3,282,000
Food Distribution Program on Indian Reservations	10.567		924,209
WIC Farmers Market Nutrition Program (FMNP)	10.572		38,823
Senior Farmers Market Nutrition Program	10.576		37,281
Mark Twain National Forest	10.U04		1,987
<i>Passed through State of Oklahoma</i>			
Child and Adult Care Food Program	10.558	DC-57-024	145,869
Total U.S. Department of Agriculture			<u>4,430,169</u>
U.S. Department of Housing and Urban Development			
Indian Community Development Block Grant	14.862		615,908
Indian Housing Block Grants	14.867		930,863
Tribal HUD-VA Supportive Housing Program	14.899		134,767
Total U.S. Department of Housing and Urban Development			<u>1,681,538</u>
U.S. Department of Interior			
<i>Bureau of Indian Affairs</i>			
Tribal Self-Governance	15.022		2,293,955
Forestry on Indian Lands	15.035		199
Cultural Resources Management	15.511		20,792
Historic Preservation Fund Grants-In-Aid	15.904		57,849
Native American Graves Protection and Repatriation Act	15.922		2,709
Total U.S. Department of Interior			<u>2,375,504</u>
U.S. Department of Justice			
Tribal Sexual Assault Services Program	16.024		53,320
Violence Against Women Discretionary Grants for Indian Tribal Governments	16.587		195,715
VOCA Tribal Victim Services Set-Aside Program	16.841		739
Total U.S. Department of Justice			<u>249,774</u>
U.S. Department of Transportation			
<i>Highway Planning and Construction Cluster</i>			
Highway Planning and Construction	20.205		2,165,013
Recreational Trails Program	20.219		161,345
Total Highway Planning and Construction Cluster			2,326,358
State and Community Highway Safety (Highway Safety Cluster)	20.600		8,451
Total U.S. Department of Transportation			<u>2,334,809</u>
National Endowment for the Humanities			
Museums for America	45.301		4,432
Native American and Native Hawaiian Library Services	45.311		1,724
Total National Endowment for the Humanities			<u>6,156</u>

See accompanying notes to the schedule of expenditures of federal awards.

Osage Nation
Governmental Programs Department
Schedule of Expenditures of Federal Awards - continued
For the Year Ended September 30, 2019

Federal Grantor and Program Title	CFDA Number	Pass-Through Entity or Other Identifying Number	Federal Expenditures
U.S. Environmental Protection Agency			
Water Pollution Control State, Interstate, and Tribal Support Program	66.419		\$ 87,184
Surveys, Studies, Investigations, Demonstrations, and Training Grants	66.424		229,500
Indian Environmental General Assistance Program (GAP)	66.926		106,715
Total U.S. Environmental Protection Agency			<u>423,399</u>
U.S. Department of Education			
Education Partnership	84.U02		64,450
<i>Passed Through Osage County Interlocal Cooperative</i>			
Language Advancement Utilizing Culture and Heritage	84.365C	T365C160002	161,622
Total U.S. Department of Education			<u>226,072</u>
U.S. Department of Health and Human Services			
Special Programs for the Aging-Title VI, Part A, Grants to Indian Tribes-Part B, Grants to Native Hawaiians	93.047		105,975
Nutrition Services Incentive Program (Aging Cluster)	93.053		63,164
National Family Caregiver Support, Title VI, Part C, Grants to Indian Tribes and Native Hawaiians	93.054		50,089
Indian Health Service, Health Management Development Program	93.228		88,875
Special Diabetes Program for Indians	93.237		309,802
Substance Abuse and Mental Health Services-Projects of Regional and National Significance	93.243		551,668
Indian Self-Determination	93.441		14,668,535
Promoting Safe and Stable Families	93.556		121,362
Temporary Assistance for Needy Families	93.558		6,244
Child Support Enforcement Program	93.563		680,839
Low-Income Home Energy Assistance	93.568		156,461
Community Services Block Grant	93.569		48,355
Child Care and Development Block Grant (CCDF Cluster)	93.575		1,654,360
Head Start (Head Start Cluster)	93.600		1,767,048
Stephanie Tubbs Jones Child Welfare Services Program	93.645		63,830
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671		272,015
Opioid STR	93.788		22,563
Clinic National Indian Health Board	93.U01		7,708
<i>Passed Through OSU Health Science Center</i>			
Minority Health Disparities Research	93.307	R01MD011266	86,360
<i>Passed Through the Southern Plains Tribal Health Board</i>			
PHN Southern Plains Tribal Board	93.762	5NU8DP005513-03-00	15,000
Total U.S. Department of Health and Human Services			<u>20,740,253</u>
477 Cluster			
Tribal 477 Program (477 Cluster)	15.U03	2019-2021 Plan	<u>853,012</u>
Total expenditures of federal awards			<u>\$ 33,320,686</u>

See accompanying notes to the schedule of expenditures of federal awards.

Osage Nation
Governmental Programs Department
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2019

1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of the Osage Nation’s Governmental Programs Department under programs of the federal government for the year ended September 30, 2019. The information in this schedule for federal awards is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

2) Catalog of Federal Domestic Assistance Numbers

The program titles and CFDA numbers were obtained from the federal or pass-through grantor of the 2019 Catalog of Federal Domestic Assistance. When no CFDA number had been assigned to a program, the federal identifier was applied and followed by a “U” and chronological two digit numbers to represent unidentified CFDA numbers.

3) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

4) Public Law 102-477 Programs (477 Cluster)

The Department administers an approved 477 program with a plan year spanning 2019-2021. The plan’s expenditures are comprised of the following programs:

- ♦ Temporary Assistance for Needy Families – CFDA 93.558
- ♦ Tribal Self Governance (Several Programs) – CFDA 15.022
- ♦ WIOA Adult Program – CFDA 17.258
- ♦ WIOA Youth Activities – CFDA 17.259

5) Indirect Cost Rate

The Osage Nation Governmental Programs Department has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Single Audit Section

Independent Auditor's 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*

Principal Chief and Honorable Members of the Osage Nation Congress
Osage Nation
Pawhuska, OK

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Osage Nation (the "Nation") Governmental Programs Department (the "Department"), as of and for the year ended September 30, 2019, and the related notes to the financial statements which collectively comprise the Department's financial statements, and have issued our report thereon dated December 21, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Department's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free from 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Department's Response to the Finding

The Department's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Department's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

REDWLLC

Phoenix, Arizona
December 21, 2020

Independent Auditor's Report on Compliance for
Each Major Federal Program and on Internal Control Over Compliance
Required by the Uniform Guidance

Principal Chief and Honorable Members of the Osage Nation Congress
Osage Nation
Pawhuska, OK

Report on Compliance for Each Major Federal Program

We have audited the Osage Nation (the "Nation") Governmental Programs Department's (the "Department") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2019. The Department's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Department's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types 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 Department'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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Department's compliance.

Opinion on Each Major Federal Program

In our opinion, the Department complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2019.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2019-002. Our opinion on each major federal program is not modified with respect to these matters.

The Department's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Department's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the Department is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Department's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 Department's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified.

We did identify a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2019-002, that we consider to be a material weakness.

The Department's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Department's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

REDW LLC

Phoenix, Arizona
December 21, 2020

Osage Nation
Governmental Programs Department
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2019

Section I — Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness/weaknesses identified? Yes

Significant deficiency/deficiencies identified? None Reported

Noncompliance material to financial statements noted? No

Major Federal Award Program Audit

Internal control over major programs:

Material weaknesses identified? Yes

Significant deficiencies identified? None Reported

Type of auditor's report issued on compliance

for major federal programs: Unmodified

Any audit findings disclosed that are required

to be reported in accordance with 2 CFR 200.516(a)? Yes

Osage Nation
Governmental Programs Department
Schedule of Findings and Questioned Costs — continued
For the Year Ended September 30, 2019

Section I — Summary of Auditor's Results — continued

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.867	Indian Housing Block Grants
93.441	Indian Self-Determination
93.563	Child Support Enforcement

Dollar threshold used to distinguish between type A and type B programs:	\$999,621
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Auditee qualified as low-risk auditee?	Yes
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Osage Nation
Governmental Programs Department
Schedule of Findings and Questioned Costs — continued
For the Year Ended September 30, 2019

Section II — Financial Statement Findings

2019 – 001 – Trial Balance Maintenance, Timely Reconciliations and Financial Recordkeeping – Material Weakness

Criteria: A good system of internal controls over financial close and reporting requires the monthly maintenance of the general ledger, and preparation of external and internal financial statements. Significant accounts in the trial balance should be reconciled on a regular basis and adjustments should be made frequently to ensure the accuracy of financial reporting.

Condition: Significant adjusting journal entries identified and prepared by management or management's independent CPA consultants were required after the accounting records were closed at year-end. Significant adjustments to interfund balances and transfers, accounts payable, accrued liabilities, grant revenues and expenditures, and capital assets were necessary to ensure accurate financial reporting.

Cause: Financial statements and general ledger balances were not sufficiently reviewed throughout the fiscal year, or prior to the commencement of the audit. Some account balances were being reconciled; however, many significant balances were not adjusted for accuracy prior to the trial balance being provided to the auditors.

Effect: Without timely account reconciliations and proper review, information provided to management and the Nation's Congress may not be accurate. Also, the probability that errors will occur and go undetected is greatly increased. Finally, when accounts have not been reviewed and reconciled during the year, the Finance Department becomes overburdened with year-end account analyses, potentially resulting in a time-consuming and costly process.

Auditor's Recommendations: Policies and procedures should be implemented to ensure that timely account reconciliations are being performed periodically throughout the fiscal year, and that financial statement records are adjusted to reflect the reconciled balances. The financial close process should incorporate a review of significant account balances by management, prior to commencement of the audit.

Management's Response: We concur with this finding. Our plan is to have the program accountants reconcile each program GL account, including reconciliation of old data base to new data base in a timely manner going forward to resolve this finding.

Osage Nation
Governmental Programs Department
Schedule of Findings and Questioned Costs — continued
For the Year Ended September 30, 2019

Section III — Federal Award Findings

2019-002 — Schedule of Expenditures of Federal Awards Maintenance— Material Weakness in Internal Controls over Compliance and Noncompliance

Federal program information:

Funding agency:	All Major Programs
Title:	All Major Programs
CFDA number:	All Major Programs
Award year and number:	All Major Programs

Criteria or Specific Requirement: Section 2 CFR 200.510 (b) of the OMB Uniform Grant Guidance states that the auditee must prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the auditee's financial statements which must include the total federal awards expended as determined in accordance with 2 CFR § 200.502, *Basis for determining federal awards expended*.

Condition: The original SEFA provided by the Department excluded a material amount of federal expenditures from the schedule.

Questioned Costs: None.

Cause: Financial statements and general ledger balances, specifically special revenue funds, were not sufficiently reviewed throughout the fiscal year, or prior to providing auditors with the schedule of expenditures of federal awards for audit. Significant adjustments made during the audit resulted in material changes to the reported expenditures.

Effect: The original SEFA provided to auditors was not materially accurate. Significant adjustments were required during the audit to accurately report federal expenditures, along with grant receivable and unearned revenue balances.

Auditor's Recommendations: Strengthen procedures over the preparation and reconciliation of the SEFA to ensure the SEFA accurately reflects the reconciled balances once the financial close process has been completed.

Management's Response: We concur with this finding. Our plan is to have the federal award program accountants reconcile their accounts timely. Additionally, we will monitor due dates and better track program expenditures on a regular basis. We will also implement the use of due date/task software to help resolve this finding.



Osage Nation
819 Grandview Ave
Pawhuska, OK 74056

**Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2019**

Finding Number: 2018-001 – Timely Reconciliations of Payroll Cash and Liability Accounts

Status: Partially Corrected

Status and Corrective Action:

- 1- The payroll cash bank account is now being reconciled on an ongoing basis, and this has been corrected. The contract consultant is reconciling the ledger for this account and will continue these reconciliations prior to auditor field work beginning.
- 2- Payroll liability accounts were not reconciled prior to the 2019 audit due to an oversight by Finance, but will be for the 2020 audit. These accounts will be reconciled by the accounting program accountant. Quarterly payroll reports are being completed timely.



Osage Nation
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 Pawhuska, OK 74056

**Corrective Action Plan
 For the Year Ended December 31, 2019**

Audit Finding	Corrective Action Plan	Person Responsible	Estimated Completion Date
2019-001— Trial Balance Maintenance, Timely Reconciliations and Financial Recordkeeping – Material Weakness	Program accountants reconcile each program GL account, including reconciliation of old data base to new data base timely. Implementation of completed program financial statements.	Program accountants to submit completed financial statements for Controller or Treasurer – Jim Littleton– Review.	Program GL accounts posted & submission of program financials completed prior to 2020 audit – 6/30/2021.
2019-002- Schedule of Expenditures of Federal Awards Maintenance– Material Weakness in Internal Controls over Compliance and Compliance	Federal Award program accountants reconcile accounts. Reporting due dates and monitoring of reporting, and expenditures. Implementation of due date/task software.	Program accountants, under the direction of Controller and Treasurer – Jim Littleton.	Expenditures of awards posted prior to audit of 2020 – 6/30/2021.