



KIOWA TRIBE

AUDITED FINANCIAL STATEMENTS
AND
UNIFORM GUIDANCE
JUNE 30, 2023

HARSHWAL 
& COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

**KIOWA TRIBE
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JUNE 30, 2023**

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INDEPENDENT AUDITOR'S REPORT

To Kiowa Tribe Executive Branch
Kiowa Tribe
Carnegie, Oklahoma

Report on the Audit of the Financial Statements

Adverse and Unmodified Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Kiowa Tribe (the "Tribe"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Tribe's basic financial statements as listed in the table of contents.

Adverse Opinion on Discretely Presented Component Unit:-

In our opinion, because of the significance of the matter discussed in the Basis for Opinions section of our report, the financial statements referred to above do not present fairly the financial position of the discretely presented component unit of the Tribe as of June 30, 2023, or the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States.

Unmodified Opinions on Governmental Activities, Business-Type Activities, Each Major Fund, and the Aggregate Remaining Fund Information:-

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Tribe, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flow thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Tribe and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse and unmodified audit opinions.

Matter Giving Rise to Adverse Opinion on Discretely Presented Component Unit:

The financial statements do not include the financial data for the Kiowa Casino Operations Authority, which should be presented as a discretely presented component unit of the Tribe. Accounting principles generally accepted in the United States require the financial data for this component unit be reported with the financial data of the Tribe's primary government unless the Tribe also issues financial statements for the financial reporting entity that include the financial data for its component unit. The Tribe has not issued such reporting entity financial statements. The amount by which this departure would affect the assets, liabilities, net position, revenues, and expenses of the discretely presented component unit has not been determined.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Tribe's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Tribe's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Tribe's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Management has omitted the 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Tribe's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 are 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 March 28, 2024, on our consideration of the Tribe's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Tribe's 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 Tribe's internal control over financial reporting and compliance.

Harshmal & Company LLP

Oakland, California

March 28, 2024

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

KIOWA TRIBE
STATEMENT OF NET POSITION
JUNE 30, 2023

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
ASSETS			
Current assets			
Cash	\$ 29,255,648	\$ 2,417,106	\$ 31,672,754
Restricted investments	5,656,427	-	5,656,427
Accounts receivable	23,166	-	23,166
Prepaid expenses	56,214	-	56,214
Inventory	-	5,221	5,221
Lease receivable	-	785,919	785,919
Due from other governments	173,872	-	173,872
Internal balances	<u>53,404</u>	<u>(53,404)</u>	<u>-</u>
Total current assets	<u>35,218,731</u>	<u>3,154,842</u>	<u>38,373,573</u>
Noncurrent assets			
Capital assets, not being depreciated	2,618,849	-	2,618,849
Capital assets, being depreciated	17,492,366	-	17,492,366
Lease receivable, net of current portion	-	5,940,554	5,940,554
Right to use assets, net of accumulated amortization	<u>130,205</u>	<u>-</u>	<u>130,205</u>
Total noncurrent assets	<u>20,241,420</u>	<u>5,940,554</u>	<u>26,181,974</u>
Total assets	<u>55,460,151</u>	<u>9,095,396</u>	<u>64,555,547</u>
LIABILITIES			
Current liabilities			
Accounts payable	330,365	-	330,365
Accrued payroll liabilities	501,997	-	501,997
Lease liability	73,440	-	73,440
Compensated absences	41,548	-	41,548
Due to component unit	21,288	-	21,288
Unearned revenues	<u>24,556,554</u>	<u>-</u>	<u>24,556,554</u>
Total current liabilities	<u>25,525,192</u>	<u>-</u>	<u>25,525,192</u>
Noncurrent Liabilities			
Compensated absences, net of current portion	124,644	-	124,644
Leases liability, net of current portion	<u>57,825</u>	<u>-</u>	<u>57,825</u>
Total noncurrent liabilities	<u>182,469</u>	<u>-</u>	<u>182,469</u>
Total liabilities	<u>25,707,661</u>	<u>-</u>	<u>25,707,661</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources	<u>-</u>	<u>6,726,473</u>	<u>6,726,473</u>
Total deferred inflows of resources	<u>-</u>	<u>6,726,473</u>	<u>6,726,473</u>

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

**KIOWA TRIBE
STATEMENT OF NET POSITION
JUNE 30, 2023**

	Governmental Activities	Business- Type Activities	Total
NET POSITION			
Net investment in capital assets	20,110,155	-	20,110,155
Restricted for:			
Investments held in trust	5,656,427	-	5,656,427
Unrestricted	3,985,908	2,368,923	6,354,831
Total net position	29,752,490	2,368,923	32,121,413
Total liabilities, deferred inflow of resources, and net position	\$ 55,460,151	\$ 9,095,396	\$ 64,555,547

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

**KIOWA TRIBE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**

Functions/Programs	Expenses	Program revenues		Net (expenses) revenues & changes in net position		Totals
		Charges for services	Operating grants and contributions	Governmental Activities	Business-Type Activities	
Governmental Activities						
General government	\$ 12,361,534	\$ 547,720	\$ 2,709,445	\$ (9,104,369)	\$ -	\$ (9,104,369)
Health and general assistance	16,402,554	-	16,415,124	12,570	-	12,570
Transportation	774,628	-	511,750	(262,878)	-	(262,878)
Culture and recreation	1,861,306	-	2,324,348	463,042	-	463,042
Natural resources	92,265	-	92,265	-	-	-
Unallocated depreciation and amortization	1,462,204	-	-	(1,462,204)	-	(1,462,204)
Total governmental activities	32,954,491	547,720	22,052,932	(10,353,839)	-	(10,353,839)
Business-Type Activities						
Gift Shop Fund	107,772	130,807	-	-	23,035	23,035
Nonmajor Funds	720	16	-	-	(704)	(704)
Total business-type activities	\$ 108,492	\$ 130,823	\$ -	-	22,331	22,331
General revenues and transfers						
Licenses and permits				623,121	-	623,121
Taxes				245,578	-	245,578
Other income				1,799,748	-	1,799,748
Lease revenue				-	736,588	736,588
Interest income				-	463,412	463,412
Gaming distributions				-	5,000,000	5,000,000
Transfers, net				5,700,001	(5,700,001)	-
Gain on investments				1,472,273	-	1,472,273
Total general revenues and transfers				9,840,721	499,999	10,340,720
Change in net position				(513,118)	522,330	9,212
Net position, beginning of year				30,265,608	1,846,593	32,112,201
Net position, end of year				\$ 29,752,490	\$ 2,368,923	\$ 32,121,413

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

FUND FINANCIAL STATEMENTS

KIOWA TRIBE
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2023

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash	\$ 1,307,171	\$ 27,948,477	\$ 29,255,648
Restricted investments	5,656,427	-	5,656,427
Accounts receivable	11,088	12,078	23,166
Prepaid	56,214	-	56,214
Due from other governments	-	173,872	173,872
Due from other funds	<u>3,370,881</u>	<u>-</u>	<u>3,370,881</u>
Total assets	<u>10,401,781</u>	<u>28,134,427</u>	<u>38,536,208</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	210,678	119,687	330,365
Accrued payroll liabilities	382,576	119,421	501,997
Due to other funds	-	3,317,477	3,317,477
Due to component unit	-	21,288	21,288
Unearned revenue	<u>-</u>	<u>24,556,554</u>	<u>24,556,554</u>
Total liabilities	<u>593,254</u>	<u>28,134,427</u>	<u>28,727,681</u>
FUND BALANCES			
Nonspendable:			
Prepaid	56,214	-	56,214
Restricted	5,656,427	-	5,656,427
Unassigned	<u>4,095,886</u>	<u>-</u>	<u>4,095,886</u>
Total fund balances	<u>9,808,527</u>	<u>-</u>	<u>9,808,527</u>
Total liabilities and fund balances	<u>\$ 10,401,781</u>	<u>\$ 28,134,427</u>	<u>\$ 38,536,208</u>

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

KIOWA TRIBE
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2023

Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in the governmental funds because:

Fund balance of governmental funds		\$ 9,808,527
Capital assets used in governmental activities are not financial resources, and therefore are not reported in the governmental funds financial statements:		
Non-depreciable capital assets	2,618,849	
Depreciable capital assets, net of accumulated depreciation	17,492,366	20,111,215
Right-to-use assets used in governmental activities are not financial resources, and therefore are not reported in the governmental funds.		
		130,205
Compensated absences, which are not considered due and payable in the current period, and therefore are not reported in the fund financial statements.		
		(166,192)
Long-term liabilities used in governmental activities are not financial uses, and therefore are not reported as liabilities in the funds.		
		(131,265)
Net position of governmental activities		\$ 29,752,490

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

KIOWA TRIBE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUES			
Grants and contracts	\$ -	\$ 21,174,367	\$ 21,174,367
Indirect cost recoveries	878,565	-	878,565
Licenses and permits	623,121	-	623,121
Property Taxes	245,578	-	245,578
Charges for services/fees	547,720	-	547,720
Investment income	1,472,273	-	1,472,273
Other income	<u>1,781,748</u>	<u>18,000</u>	<u>1,799,748</u>
Total revenues	<u>5,549,005</u>	<u>21,192,367</u>	<u>26,741,372</u>
EXPENDITURES			
Current:			
General government	11,766,685	1,123,025	12,889,710
Health and general assistance	97,636	14,538,281	14,635,917
Transportation	-	622,935	622,935
Culture and recreation	-	2,480,114	2,480,114
Natural resource	-	92,265	92,265
Indirect costs	-	878,565	878,565
Debt service:			
Principal	98,437	-	98,437
Interest	9,150	-	9,150
Capital outlay	<u>147,754</u>	<u>1,454,955</u>	<u>1,602,709</u>
Total expenditures	<u>12,119,662</u>	<u>21,190,140</u>	<u>33,309,802</u>
Revenues over (under) expenditures before other financing sources (uses)	<u>(6,570,657)</u>	<u>2,227</u>	<u>(6,568,430)</u>
OTHER FINANCING SOURCES (USES)			
Transfers, net	<u>5,702,228</u>	<u>(2,227)</u>	<u>5,700,001</u>
Total other financing sources (uses)	<u>5,702,228</u>	<u>(2,227)</u>	<u>5,700,001</u>
Net change in fund balance	<u>(868,429)</u>	<u>-</u>	<u>(868,429)</u>
Fund balances, beginning of year	4,786,813	5,890,143	10,676,956
<i>Restatement</i>	<u>5,890,143</u>	<u>(5,890,143)</u>	<u>-</u>
Fund balance, beginning of year, <i>restated</i>	<u>10,676,956</u>	<u>-</u>	<u>10,676,956</u>
Fund balance, end of year	<u><u>\$ 9,808,527</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 9,808,527</u></u>

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

KIOWA TRIBE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

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

Net change in fund balance - governmental funds \$ (868,429)

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities:

Capital outlays	1,602,709	
Less: current year depreciation	(1,365,274)	
Less: current year amortization	<u>(96,930)</u>	140,505

In governmental funds, proceeds from lease payable provides current financial resources, while the repayment of the principal of lease payable consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. The amount is the net effect of these differences in the treatment of lease payable and related items were:

98,437

Compensated absences are expensed as used in the governmental funds. However, they are expensed as earned on the statements of activities. In the current year, the amount earned exceeded the amount used.

116,369

Changes in net position - governmental activities

\$ (513,118)

PROPRIETARY FUND FINANCIAL STATEMENTS

KIOWA TRIBE
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2023

	<u>Gift Shop Fund</u>	<u>Kiowa Casino LUNA</u>	<u>Non Major Fund</u>	<u>Total Enterprise Funds</u>
ASSETS				
Current assets				
Cash	\$ 60,912	\$ 2,350,033	\$ 6,161	\$ 2,417,106
Inventory	5,221	-	-	5,221
Lease receivable	-	785,919	-	785,919
Due from other funds	-	76,248	99,914	176,162
Total current assets	<u>66,133</u>	<u>3,212,200</u>	<u>106,075</u>	<u>3,384,408</u>
Noncurrent assets				
Lease receivable	-	5,940,554	-	5,940,554
Total noncurrent assets	<u>-</u>	<u>5,940,554</u>	<u>-</u>	<u>5,940,554</u>
Total assets	<u>66,133</u>	<u>9,152,754</u>	<u>106,075</u>	<u>9,324,962</u>
LIABILITIES				
Due to other funds	<u>229,566</u>	<u>-</u>	<u>-</u>	<u>229,566</u>
Total liabilities	<u>229,566</u>	<u>-</u>	<u>-</u>	<u>229,566</u>
DEFERRED INFLOW OF RESOURCES				
Deferred inflow of resources - lease	<u>-</u>	<u>6,726,473</u>	<u>-</u>	<u>6,726,473</u>
Total deferred inflow of resources	<u>-</u>	<u>6,726,473</u>	<u>-</u>	<u>6,726,473</u>
NET POSITION				
Unrestricted (deficit)	<u>(163,433)</u>	<u>2,426,281</u>	<u>106,075</u>	<u>2,368,923</u>
Total net position (deficit)	<u>(163,433)</u>	<u>2,426,281</u>	<u>106,075</u>	<u>2,368,923</u>
Total liabilities, deferred inflow of resources, and net position	<u>\$ 66,133</u>	<u>\$ 9,152,754</u>	<u>\$ 106,075</u>	<u>\$ 9,324,962</u>

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

KIOWA TRIBE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Gift Shop Fund</u>	<u>Kiowa Casino LUNA</u>	<u>Nonmajor Funds</u>	<u>Total Enterprise Funds</u>
OPERATING REVENUES				
Charges for services	\$ 130,807	\$ -	\$ 16	\$ 130,823
Lease revenue	-	736,588	-	736,588
Interest income	-	463,412	-	463,412
Gaming distributions	-	5,000,000	-	5,000,000
Total operating revenues	<u>130,807</u>	<u>6,200,000</u>	<u>16</u>	<u>6,330,823</u>
OPERATING EXPENSES				
Services and supplies	<u>107,772</u>	<u>-</u>	<u>720</u>	<u>108,492</u>
Total operating expenses	<u>107,772</u>	<u>-</u>	<u>720</u>	<u>108,492</u>
Operating income, net	23,035	6,200,000	(704)	6,222,331
Transfers, net	<u>-</u>	<u>5,700,001</u>	<u>-</u>	<u>5,700,001</u>
Change in net position	23,035	499,999	(704)	522,330
Net position, beginning of year	<u>(186,468)</u>	<u>1,926,282</u>	<u>106,779</u>	<u>1,846,593</u>
Net position, end of year	<u>\$ (163,433)</u>	<u>\$ 2,426,281</u>	<u>\$ 106,075</u>	<u>\$ 2,368,923</u>

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

KIOWA TRIBE
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Gift Shop Fund	Kiowa Casino LUNA	Nonmajor Funds	Total Enterprise Funds
Cash flows from operating activities				
Cash receipt from customers	\$ 130,807	\$ -	\$ 16	\$ 130,823
Cash receipt from casino	-	6,100,001	-	6,100,001
Cash payment to expenses	<u>(101,144)</u>	<u>-</u>	<u>(720)</u>	<u>(101,864)</u>
Net cash provided by (used in) from operating activities	<u>29,663</u>	<u>6,100,001</u>	<u>(704)</u>	<u>6,128,960</u>
Cash flows from non-capital financing activities				
Net cash transferred to other funds	<u>-</u>	<u>5,700,001</u>	<u>-</u>	<u>5,700,001</u>
Net cash provided by (used in) from non-capital financing activities	<u>-</u>	<u>5,700,001</u>	<u>-</u>	<u>5,700,001</u>
Net increase / (decrease) in cash	29,663	400,000	(704)	428,959
Cash, beginning of year	<u>31,249</u>	<u>1,950,033</u>	<u>6,865</u>	<u>1,988,147</u>
Cash, end of year	<u><u>\$ 60,912</u></u>	<u><u>\$ 2,350,033</u></u>	<u><u>\$ 6,161</u></u>	<u><u>\$ 2,417,106</u></u>
 <u>Reconciliation of changes in net position to net cash provided by (used in) by operating activities</u>				
Operating income, net	\$ 23,035	\$ 6,200,000	\$ (704)	\$ 6,222,331
Decrease (increase) in operating assets:				
Inventory	(71)	-	-	(71)
Due from other funds	-	(76,248)	86	(76,162)
Increase (decrease) in operating assets:				
Due to other funds	<u>6,699</u>	<u>(23,751)</u>	<u>(86)</u>	<u>(17,138)</u>
Net cash provided by (used in) by operating activities	<u><u>\$ 29,663</u></u>	<u><u>\$ 6,100,001</u></u>	<u><u>\$ (704)</u></u>	<u><u>\$ 6,128,960</u></u>

KIOWA TRIBE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Kiowa Tribe (the "Tribe") is in Carnegie, Oklahoma. The Tribe replaced its reservation business committee constitution and form of government through an amendment process enacting a new Constitution and Bylaws which created a new separation of powers form of government. Approval of the new Constitution and Bylaws were ratified on April 17, 2017 through a Secretarial Election. The Secretary of the Interior has approved the new constitution. The power of the Kiowa government is now divided into four distinct branches: Kiowa Indian Council (KIC), Executive, Legislative, and Judicial. The KIC is comprised of all tribal members of the Tribe age eighteen or older. The Legislative Branch is made up of one body comprised of one legislator from each of the seven districts. The Executive Branch is comprised of a Chairman and a Vice-Chairman. The Judicial Branch consists of one supreme court, a trial court, and other lower courts of special jurisdiction. The Tribe administers federal programs for the benefit of the Tribe and its membership. The Tribe employs departmental staff to administer these federal programs in accordance with prescribed federal regulations which include monitoring activities.

A. Reporting Entity - Accounting principles generally accepted in the United States of America require that the reporting entity include: (1) the primary government; (2) organizations for which the primary government is financially accountable; and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the primary government is financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if: (1) it appoints a voting majority of the organization's governing body and it is able to impose its will on that organization; (2) it appoints a majority of the organization's governing body and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government; and (3) the organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. Certain legally separate, tax-exempt organizations should also be reported as a component unit of a reporting entity if all the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government or its component units, is entitled to, or has the ability to access, a majority of the economic resources received or held by the separate organization; and (3) the economic resources received or held by an individual organization that the primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

Component units are reported using one or two methods, discrete presentation or blending. Generally, component units should be discretely presented in a separate column in the financial statements. A component unit should be reported as part of the primary government using the blending method if it meets any one of the following criteria: (1) the primary government and the component unit have substantively the same governing body and a financial benefit or burden relationship exists; (2) the primary government and the component unit have substantively the same governing body and management of the primary government has operational responsibility for the component unit; (3) the component unit services or benefits, exclusively or almost exclusively, the primary government rather than its citizens; or (4) the total debt of the component unit will be paid entirely or almost entirely from resources of the primary government.

KIOWA TRIBE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

The financial statements do not include the data of:

Kiowa Casino Operations Authority

The government-wide financial statements do not include the Kiowa Casino Operations Authority (the "Authority") as a component unit. The Authority is a legally separate organization that operates Kiowa Casinos in Devol, Verden, and Carnegie Oklahoma. Management has elected to exclude the activity of this discretely presented component unit in the financial statements as inclusion is required by accounting principles generally accepted in the United States of America. Accordingly, these financial statements do not purport to, and do not, present fairly the financial position, change in financial position, or cash flows, where applicable, of the Tribe in conformity with accounting principles generally accepted in the United States of America.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government - Wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through intergovernmental revenues and other non-exchange revenues. Business-Type activities are financed in whole or in part by fees charged to external parties for goods or services. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Items not included among program revenues are reported instead as general revenues.

Fund Financial Statements

Financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund balance, revenues, and expenditure/expenses.

Funds are organized as major funds or nonmajor funds within the governmental and proprietary fund statements. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the entity or meets the following criteria:

- a. Total assets/deferred outflows of resources, liabilities/deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type, and
- b. The same element of the individual governmental fund or enterprise fund that met the 10% test is at least 5% of the corresponding total for all governmental and enterprise funds combined.
- c. In addition, any other governmental fund or enterprise fund that the entity believes is particularly important to financial statement users may be reported as a major fund.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

KIOWA TRIBE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

Governmental Funds

The Tribe reports the following major governmental funds:

General Fund - accounts for primary operating activities. It is used to account for and report all financial resources except those required to be accounted for in another fund. Major revenue services include indirect revenue charged to special revenue grants and income on investments owned by the Tribe. Primary expenditures are for salaries and related benefits and general assistance.

Special Revenue Fund - accounts for and reports the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes (other than debt service or capital projects). The fund's expenditures are funded primarily by intergovernmental grants and contracts primarily from the federal government.

The Tribe does not report any nonmajor governmental funds.

Proprietary Funds

The Tribe reports the following major enterprise funds:

Gift Shop Fund - accounts for and reports the operations of the gift shop owned by the Tribe. Operations are financed from revenues received from customers, and major expenses of the fund include cost of goods sold as well salaries and related benefits.

Kiowa Casino LUNA Fund - accounts for and reports the transfers from the Casino to be used to support the operations of the General Fund.

The Tribe reports the following nonmajor enterprise funds:

Enterprise Funds - are comprised of Kiowa Gaming Commission and Indian City and are used to account for and report any activity for which a fee is charged to external users for goods or services, and must be used for activities that meet certain debt or cost recovery criteria.

Additionally, the Tribe does not have any internal service funds.

The Tribe's accounting policies conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The accepted standard-setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB). The significant accounting policies are discussed below.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

The government-wide statement of net position and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

KIOWA TRIBE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Tribe considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related liability is incurred, except for claims, judgments, and compensated absences which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Intergovernmental grants are recognized as revenues in the period the Tribe is entitled to the resources and the amounts are available. Amounts owed to the Tribe which are not available are recorded as receivables and unavailable revenues. Amounts received before eligibility requirements (excluding time requirements) are met are recorded as liabilities. Amounts received in advance of meeting time requirements are recorded as deferred inflows.

Revenues susceptible to accrual include public charges for services and interest. Other general revenues such as oil and gas royalties, licenses and permits, taxes, gaming distributions, and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above.

Proprietary funds financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for services. Operating expenses include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

All Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY

1. Cash and investments

The Tribe's cash consist of checking and savings accounts, demand deposits, and short-term investments having original maturities of three months or less. For purposes of the statement of cash flows, the Tribe considers all highly liquid investments with an initial maturity of three months or less when acquired to be cash equivalents.

Investments not considered to be cash equivalents consist of certificates of deposit at a financial institution and trust funds held by the Bureau of Indian Affairs (BIA). Certificates of deposit are recorded at cost, which approximates fair value. Investments held in trust are reported at fair value.

KIOWA TRIBE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

2. Receivables

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as “due to and from other funds.” Long-term interfund loans (noncurrent portion) are reported as “advances from and to other funds.” Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Grant receivables are reported as “due from other governments” and represent funds available to be drawn on contracts awarded from various federal grantor agencies as well as outstanding reimbursement requests from grantor agencies for which expenditures have been incurred.

Receivables primarily include amounts due from other tribal organizations, tribal members, employees, and other governments. Receivables, other than those due from other tribal organizations, are considered fully collectible. Accordingly, receivables are reported at their gross value and no allowance for doubtful accounts is created. Accounts are charged to operations if and when accounts are deemed uncollectible.

3. Leases receivable

The Tribe holds a lease agreement with the Casino for the land used by the Casino for a 7 year period extending through fiscal year 2030. The Tribe has recorded a lease receivable to be amortized over the period of the lease agreement, and a deferred inflow of resources to be amortized in tandem with the lease receivable.

4. Inventory and prepaid

Inventories consist of gift shop inventory. Inventories are valued at the lower of cost or market on a specific identification basis. Inventories are expensed when the resources are sold. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in both government-wide and fund financial statements using the consumption method.

5. Capital assets

Government-Wide Financial Statements

Capital assets, which include roads, buildings and improvements, furniture and equipment, and vehicles, are reported in the government-wide financial statements. Capital assets are defined by the government as assets purchased or acquired with an initial cost of \$5,000 or more and an expected useful life in excess of one year. All capital assets are valued at historical cost, or estimated historical cost, if actual amounts are unavailable. Donated or contributed assets are reported at their acquisition value as of the date received.

Additions to and replacements of capital assets that significantly extend the useful life of an asset are capitalized and are recorded at original cost. Other costs incurred for repairs and maintenance are expensed as incurred. The cost of property replaced, retired, or otherwise disposed of, is deducted from plant accounts and, generally, together with removal costs less salvage, is charged to accumulated depreciation reflected in the statement of net position.

Depreciation is computed using the straight-line basis over the following estimated useful lives:

Buildings & improvement	39 years
Roads	25 years
Furniture & equipment	5-7 years
Vehicles	5 years

KIOWA TRIBE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

Fund Financial Statements

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

6. Accounts Payable and Accrued Expenses

Accounts payable are primarily amounts due to vendors. Accrued expenses are primarily accrued payroll and related liabilities.

7. Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position/fund balance that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

8. Long-Term Obligations

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term obligation consists of accrued compensated absences.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The accounting in proprietary funds is the same as it is in the government-wide statements.

9. Compensated Absences

Under terms of employment, employees are granted sick leave and vacation in varying amounts. Only benefits considered to be vested are disclosed in these statements.

Employees accumulate vacation time for subsequent use or for payment upon termination or retirement. Vacation expenses to be paid in future periods are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for amounts currently due as a result of employee resignations and retirements.

Sick leave hours are not compensated for upon termination or retirement and accordingly a liability has not been recorded in either the government-wide and proprietary fund financials or the governmental funds. Payments for vacation will be made at rates in effect when the benefits are used. The accumulated vacation liability as of June 30, 2023, was determined on the basis of current salary rates.

10. Leases Payable

Leases payable include all leasing activity of the Tribe, except for those considered to be short term leases. Current leases held are for office space for tribal administration and the operation of various programs.

11. GASB 87 Lease Accounting

The Tribe is a lessee in multiple noncancelable leases. If the contract provides the Tribe the right to substantially all the economic benefits and the right to direct the use of the identified asset, it is considered to be or contain a lease. Right-of-use (ROU) assets and lease liabilities are recognized at the lease commencement date based on the present value of the future lease payments over the expected lease term.

KIOWA TRIBE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

11. GASB 87 Lease Accounting - Cont'd

The ROU asset is also adjusted for any lease prepayments made, lease incentives received, and initial direct costs incurred.

The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. Increases (decreases) to variable lease payments due to subsequent changes in an index or rate are recorded as variable lease expense (income) in the future period in which they are incurred.

The discount rate used is the implicit rate in the lease contract, if it is readily determinable, or the Tribe's incremental borrowing rate. The implicit rates of our leases are not readily determinable and accordingly, the Tribe uses the incremental borrowing rate based on the information available at the commencement date for all leases. The Tribe's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms and in a similar economic environment.

The ROU asset for operating leases is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized.

For all underlying classes of assets, the Tribe has elected to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the Tribe is reasonably certain to exercise. Leases containing termination clauses in which either party may terminate the lease without cause and the notice period is less than 12 months are deemed short-term leases with lease costs included in short-term lease expense. The Tribe recognizes short-term lease cost on a straight-line basis over the lease term.

12. Equity Classification Government-Wide Statements

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

- a. Net investment in capital assets - Consists of Capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent bond proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of net position with constraints placed on their use either by: 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) Law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other net positions that do not meet the definition of "restricted" or "net investment in capital assets."

When both restricted and unrestricted resources are available for use, it is the Tribe's policy to use restricted resources first, then unrestricted resources as they are needed. For unrestricted amounts of fund balance, it is the Tribe's policy to use fund balance in the following order: committed, assigned, and unassigned.

KIOWA TRIBE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

12. Equity Classification Government-Wide Statements - Cont'd

Fund Statements

The Tribe classifies governmental fund balance as follows

- a. Nonspendable - Includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.
- b. Restricted - Consists of fund balances with constraints placed on their use either by: 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation.
- c. Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action (resolution) of the Tribe's Business Committee. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the Tribe's Business Committee that originally created the commitment.
- d. Assigned - Includes spendable fund balance amounts that are intended to be used for specific purposes that are not considered restricted or committed. Fund balance may be assigned through the following: 1) The Tribe's Business Committee, or an official to which the Committee delegates the authority, can assign amounts for a specific purpose; and 2) All remaining positive spendable amounts in governmental funds, other than the general fund, that are neither restricted nor committed. Assignments may take place after the end of the reporting period.
- e. Unassigned - Includes residual positive fund balance within the general fund which has not been classified within the other above-mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those purposes.

Business-Type fund equity is classified the same as in the government-wide statements. The Tribe considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the Tribe would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

KIOWA TRIBE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

13. New Accounting Pronouncements

GASB Statement No. 96, "Subscription-Based Information Technology Arrangements". The objective of this statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. The requirements of this statement are effective for reporting periods beginning after June 15, 2022. The Tribe implemented this guidance as of July 1, 2022, and the adoption did not have any material impact on the Tribe's Financial Statements for the year ended June 30, 2023.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

The Tribe adopts revenue and expenditure budgets for the various grants and contracts the Tribe is awarded. The budgets are generally set by the funding agency during the award process and are generally not significantly revised after acceptance of the award. The beginning and ending of grant award periods do not necessarily coincide with the Tribe's fiscal year. Budget to actual comparison schedules are not included in the accompanying basic financial statements as generally required by GASB Statement No. 34 because the Tribe does not have a budget ordinance requiring such reporting.

KIOWA TRIBE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 3 - CASH

The Tribe's cash at June 30, 2023 were comprised of the following:

	<u>Carrying Value</u>	<u>Bank Balance</u>	<u>Associated Risks</u>
Cash and cash equivalent	\$ 31,672,754	\$ 32,902,982	Custodial credit risk
Total cash and equivalents	<u>\$ 31,672,754</u>	<u>\$ 32,902,982</u>	

Cash in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts) and \$250,000 for demand deposit amounts (interest-bearing and noninterest bearing). In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposits.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the Tribe's deposits may not be returned to the Tribe. The Tribe's deposits are collateralized by a letter of credit in the amount of \$20,935,000. As of June 30, 2023, \$11,217,982 of the Tribe's deposits were exposed to custodial credit risk. The Tribe does not have a deposit policy for custodial credit risk.

NOTE 4 - INVESTMENTS

Restricted Investments

In 1974, the Tribe entered into a federal land settlement agreement. The money from the settlement was placed in trust with the Bureau of Indian Affairs. The use of the settlement funds is governed by a use and distribution plan entered into by the Tribe. At June 30, 2023, restricted investments consisted of \$3,010,664 of overnight U.S. Treasury securities and \$2,645,763 of U.S. Government sponsored entity securities, for total restricted investments of \$5,656,427.

Undivided Interest in Trust Funds

The Tribe, along with two other tribes in Oklahoma, have undivided interests in trust funds held by the Bureau of Indian Affairs. In order to gain access to the funds, the three tribes have to send authorized representatives to agree to a spending plan that would then be approved by the Bureau of Indian Affairs. As of the date of this report, no spending plan has been approved, therefore no amount has been determined as an equity interest for the Tribe to include in its audited financial statements.

The Tribe had the following investments as of June 30, 2023:

<u>Investment Type</u>	<u>Value</u>
U.S. government sponsored entities	\$ 2,645,763
U.S. treasury overnights	<u>3,010,664</u>
Total investments	<u>\$ 5,656,427</u>

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of failure of the counterparty to the transaction, the Tribe will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Tribe has not adopted a formal investment policy with respect to custodial credit risk. All of the Tribe's investments are registered or held by the Bureau of Indian Affairs in the Tribe's name and, as of June 30, 2023, none were subject to custodial credit risk.

KIOWA TRIBE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 4 - INVESTMENTS - CONT'D

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 in market interest rates. The Tribe has not adopted a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates, other than the limitations of certain federal funding agencies that are guaranteed or insured by the United States government. Information about the Tribe's debt type investments exposed to this risk, using the segmented time distribution model, is as follows:

Investment Maturities (in "Years")

<u>Investment</u>	<u>Fair Value</u>	<u>Investment Maturities(in Years)</u>			
		<u>Less than 1 year</u>	<u>1-5 years</u>	<u>6-10 years</u>	<u>More than 10 years</u>
U.S. government sponsored entities	\$ 2,645,763	\$ -	\$ 142,554	\$ 2,498,769	\$ 4,440
U.S. treasury overnighters	3,010,664	3,010,664	-	-	-
Total	<u>\$ 5,656,427</u>	<u>\$ 3,010,664</u>	<u>\$ 142,554</u>	<u>\$ 2,498,769</u>	<u>\$ 4,440</u>

Concentration of Credit Risk and Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Credit risk for investments is the risk that an issuer of an investment will not fulfill its obligations to the holder of the investment. The Tribe does not have a formal policy relating to concentration of credit risk and credit risk.

At June 30, 2023, the Tribe's investment portfolio was concentrated as follows:

<u>Investment Type</u>	<u>Issuer</u>	<u>Fair Value</u>	<u>Percentage of Portfolio</u>	<u>Credit Quality Rating</u>
U.S. government sponsored entities	FFCB	\$ 887,636	16%	Aaa
U.S. government sponsored entities	FAMCA	1,284,217	23%	N/A
U.S. government sponsored entities	FHLB	392,324	7%	N/A
U.S. government sponsored entities	Tenn Valley	81,586	1%	N/A

The Tribe has adopted GASB Statement No. 72, Fair Value Measurement and Application. Accordingly, investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that the GASB statements require or permit in the statement of net position at the end of each reporting period. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value:

- 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 are reflecting prices based upon unobservable sources.

KIOWA TRIBE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 4 - INVESTMENTS - CONT'D

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the fair value hierarchy classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

The Tribe has the following recurring fair value measurements as of June 30, 2023:

- U.S Treasury securities of \$3,010,664 are valued using quoted market prices (Level 1 inputs)
- U.S Government sponsored entities of \$2,645,763 are valued using a matrix pricing model (Level 2 inputs).

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES

The following is a schedule of interfund receivables and payables at June 30, 2023:

<u>Governmental Funds</u>	<u>Detail</u>	<u>Due From / (Due To)</u>
<u>General fund</u>	Special revenue funds	\$ 3,470,795
	Nonmajor enterprise funds	(99,914)
		<u>3,370,881</u>
<u>Special revenue fund</u>	Kiowa casino LUNA	(76,248)
	Gift shop	229,566
	General fund	(3,470,795)
		<u>(3,317,477)</u>
Total governmental funds		<u>\$ 53,404</u>
<u>Enterprise funds</u>		
Gift shop	Special revenue fund	\$ (229,566)
Kiowa casino LUNA	Special revenue fund	76,248
Nonmajor enterprise funds	General fund	99,914
Total enterprise funds		<u>\$ (53,404)</u>

All of the Tribe's interfund receivables and payables are current.

KIOWA TRIBE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023, is summarized as follows:

	<u>Balance at</u> <u>07/01/2022</u>	<u>Additions</u>	<u>Balance at</u> <u>06/30/2023</u>
<u>Capital assets not being depreciated:</u>			
Construction in progress	\$ 289,772	\$ 1,110,438	\$ 1,400,210
Artifacts	5,000	-	5,000
Land	<u>1,213,639</u>	<u>-</u>	<u>1,213,639</u>
Total capital assets not being depreciated	<u>1,508,411</u>	<u>1,110,438</u>	<u>2,618,849</u>
<u>Capital assets being depreciated:</u>			
Roads	10,591,566	-	10,591,566
Land improvement	1,602,242	11,500	1,613,742
Buildings and improvement	9,979,797	29,650	10,009,447
Furniture and equipment	1,823,985	258,729	2,082,714
Vehicles	<u>2,246,021</u>	<u>192,392</u>	<u>2,438,413</u>
Total capital assets being depreciated	<u>26,243,611</u>	<u>492,271</u>	<u>26,735,882</u>
<u>Less: accumulated depreciation:</u>			
Road	(5,070,902)	(423,663)	(5,494,565)
Land improvement	(215,253)	(107,327)	(322,580)
Building and improvement	(361,598)	(256,399)	(617,997)
Furniture and equipment	(840,904)	(318,880)	(1,159,784)
Vehicles	<u>(1,389,585)</u>	<u>(259,005)</u>	<u>(1,648,590)</u>
Total accumulated depreciation	<u>(7,878,242)</u>	<u>(1,365,274)</u>	<u>(9,243,516)</u>
Total depreciated assets, net	<u>18,365,369</u>	<u>(873,003)</u>	<u>17,492,366</u>
Total capital assets, net	<u>\$ 19,873,780</u>	<u>\$ 237,435</u>	<u>\$ 20,111,215</u>

Right to Use Lease Assets

Right to use lease assets activity for the year ended June 30, 2023, is summarized as follows:

	<u>Balance at</u> <u>07/01/2022</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance at</u> <u>06/30/2023</u>
<u>Right of use assets</u>				
Lease assets - office space	\$ 328,681	\$ -	\$ -	\$ 328,681
Total right of use assets	<u>328,681</u>	<u>-</u>	<u>-</u>	<u>328,681</u>
<u>Less: accumulated amortization</u>				
Lease assets - office space	<u>(101,546)</u>	<u>(96,930)</u>	<u>-</u>	<u>(198,476)</u>
Total accumulated amortization	<u>(101,546)</u>	<u>(96,930)</u>	<u>-</u>	<u>(198,476)</u>
Total right of use assets, net	<u>\$ 227,135</u>	<u>\$ (96,930)</u>	<u>\$ -</u>	<u>\$ 130,205</u>

KIOWA TRIBE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 7 - DUE FROM OTHER GOVERNMENTS

As of June 30, 2023, the Tribe was owed a total of \$173,872 from federal assistance programs. The following is a summary of the estimated balances owed to the Tribe by the respective agencies:

<u>Agency</u>	<u>Receivable Amount</u>
U.S. Department of Agriculture	\$ 72,751
U.S. Environment Justice	2,385
U.S. Department of Protection Agency	40,328
U.S. Department of Labor	58,408
Total due from other governments	<u>\$ 173,872</u>

These balances are reported as “due from other governments” on the Balance Sheet - Governmental Funds and within the governmental activities of the Statement of Net Position.

NOTE 8 - UNEARNED REVENUES

As of June 30, 2023, governmental funds defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the components of unearned revenue reported in the special revenue funds were as follows:

<u>Agency</u>	<u>Unearned Revenue Balance</u>
Equal Employment Opportunity Commission	\$ 75,663
U.S. Department of the Interior	3,726,669
U.S. Department of the Treasury	18,895,986
U.S. Department of the Transportation	697,140
U.S. Department of Health and Human Services	816,926
State and other	344,170
Total unearned revenues	<u>\$ 24,556,554</u>

NOTE 9 - TRANSFER TO AND FROM OTHER FUNDS

The following is a schedule of transfers to and from other funds for the year ended June 30, 2023:

	<u>Transfers in</u>	<u>Transfers Out</u>
Governmental Funds		
General Fund	\$ 5,702,228	\$ -
Special Revenue Fund	-	2,227
Total Government Funds	<u>5,702,228</u>	<u>2,227</u>
Enterprise Funds		
Kiowa Casino LUNA	-	5,700,001
Total Enterprise Funds	<u>-</u>	<u>5,700,001</u>
Net Transfers	<u>\$ 5,702,228</u>	<u>\$ 5,702,228</u>

Transfers are primarily used to move unrestricted general fund revenues as well as transferring certain gaming commission revenues to the general fund and special revenue funds.

KIOWA TRIBE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 10 - COMPENSATED ABSENCES

Compensated absence for the year ended June 30, 2023 was as follows:

<u>Governmental activities</u>	<u>Balance at 07/01/2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at 06/30/2023</u>	<u>Amount Due Within One Year</u>
Compensated Absences	\$ 282,561	\$ -	\$ (116,369)	\$ 166,192	\$ 41,548
Total governmental activities	<u>\$ 282,561</u>	<u>\$ -</u>	<u>\$ (116,369)</u>	<u>\$ 166,192</u>	<u>\$ 41,548</u>

Compensated absences are typically liquidated in the general fund and special revenue fund to which the employee is assigned. The decrease shown is a net decrease.

NOTE 11 - LEASES LIABILITY

The Tribe has entered into lease agreements to lease property space and equipment. The lease agreement qualifies as other than short-term leases under GASB 87 - Leases and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

Leases liability activity for the year ended June 30, 2023, is summarized as follows:

<u>Governmental activities</u>	<u>Balance at 07/01/2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at 06/30/2023</u>	<u>Amount Due Within One Year</u>
Lease payable	\$ 229,702	\$ -	\$ (98,437)	\$ 131,265	\$ 73,440
Total governmental activities	<u>\$ 229,702</u>	<u>\$ -</u>	<u>\$ (98,437)</u>	<u>\$ 131,265</u>	<u>\$ 73,440</u>

Future minimum lease obligation and net present value of these minimum lease payments as of June 30, 2023, were as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2024	\$ 73,440	\$ 5,115
2025	57,825	1,384
Total	<u>\$ 131,265</u>	<u>\$ 6,499</u>

The Tribe has line of credit with a \$4,000,000 unused balance as of June 30, 2023.

NOTE 12 - LEASE RECEIVABLE AND DEFERRED INFLOW OF RESOURCES

Lease receivable and deferred inflow of resources activity for the year ended June 30, 2023 was as follows:

<u>Business-Type activities</u>	<u>Balance at 07/01/2022, restated</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at 06/30/2023</u>	<u>Amount Due Within One Year</u>
Casino land lease	\$ 7,463,061	\$ -	\$ (736,588)	\$ 6,726,473	\$ 785,919
Total business-type activities	<u>\$ 7,463,061</u>	<u>\$ -</u>	<u>\$ (736,588)</u>	<u>\$ 6,726,473</u>	<u>\$ 785,919</u>

KIOWA TRIBE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 12 - LEASE RECEIVABLE AND DEFERRED INFLOW OF RESOURCES - CONT'D

Future amortizations of deferred inflows of resources for the year ended June 30, 2023, was as follows:

<u>Year Ending June 30,</u>	<u>Business-type activities</u>	
	<u>Lease revenues</u>	<u>Interest</u>
2024	\$ 785,919	\$ 414,080
2025	838,553	361,446
2026	894,712	305,287
2027	954,633	245,366
2028	1,018,567	181,433
2029-2030	2,234,089	165,912
	<u>\$ 6,726,473</u>	<u>\$ 1,673,524</u>

NOTE 13 - PRIOR PERIOD ADJUSTMENT

During the fiscal year ended June 30, 2023, the Tribe determined that changes to the beginning of year fund balance were necessary due to transfer of fund balance of special revenue funds to the general funds. As a result, prior year financial statements have been restated to show the effects of the change, where necessary.

The following table summarizes the cumulative restatements to fund balance/net position:

	<u>General fund</u>	<u>Special revenue fund</u>
Fund balance at June 30, 2022, as previously reported	\$ 4,786,813	\$ 5,890,143
Prior period adjustment due to:		
Transfer of special revenue fund balance to the general fund	<u>5,890,143</u>	<u>(5,890,143)</u>
Fund balance at July 01, 2022, as restated	<u>\$ 10,676,956</u>	<u>\$ -</u>

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Claims and judgments are recorded as liabilities if all the conditions of GASB pronouncements are met. The liability and expenditure for claims and judgments are only reported in governmental fund types if it has matured. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred.

The Tribe is involved in various legal proceedings, claims, and litigations, including a contract dispute with a construction company seeking damages of around \$200,000, alongside a counterclaim by the Tribe for damages of \$46,000. Additionally, the Tribe is pursuing claims against a contractor and subcontractors for upfront fees paid of more than \$9,000,000 for the substandard and partially constructed casino. In another matter, litigation against former Kiowa Housing Authority (KHA) executive aimed to recover approximately \$300,000 in unauthorized severance payments and attempted to 'shut down' the Kiowa Housing Authority (KHA).

The Tribe records a provision for liability when it is both probable that the liability has been incurred and the amount of the liability can be reasonably estimated. These provisions, if any, are reviewed and adjusted to reflect the impacts of negotiations, settlements, rulings, advice of legal counsel, and other information and events pertaining to a particular case.

KIOWA TRIBE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 14 - COMMITMENTS AND CONTINGENCIES - CONT'D

The outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the Tribe's legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the Tribe's financial position or results of operations.

The Tribe has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants.

NOTE 15 - RISK MANAGEMENT

The Tribe is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; worker's compensation; and health care of its employees. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded commercial coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

NOTE 16 - SUBSEQUENT EVENTS

The Tribe has evaluated all subsequent events through March 28, 2024, which represents the date the financial statements were available for issuance, for events requiring recording or disclosure in the financial statements, and concluded that the following subsequent event has occurred that requires disclosure in the notes to the financial statements:

The Tribe is addressing unauthorized changes to its 401(k) plan, violating tribal law by deviating from its safe harbor status without approval. Given that the 401k plan is federally regulated, violations could incur severe penalties. Presently, the Tribe is undertaking corrective measures to assess liability and ensure proper plan administration.

The Tribe's self-insurance health plan, administered by Blue Cross Blue Shield (BCBS) of Oklahoma, requires a waiver of sovereign immunity, necessitating approval by Tribal vote. This non-compliance with federal laws like HIPAA could lead to significant fines and potential claims for medical bill non-payment or service disruptions. The Tribe continues actively with BCBS to rectify the situation and ensure legal compliance.

In response to a courtesy letter from the NIGC concerning the potential misuse of gaming revenue by previous KCOA (Kiowa Casino Operating Authority) Board members, the Tribe devised and had its corrective action plan approved. Subsequently, the Tribe commenced collection efforts, issuing letters totaling \$320,000 to five former board members. The Tribe is currently negotiating repayment plans with the individuals, although a full recovery of the overpayments is not likely.

SUPPLEMENTARY INFORMATION

KIOWA TRIBE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2023

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>AL Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture		
Food Distribution Program on Indian Reservations	10.567	\$ 357,378
Total U.S. Department of Agriculture		<u>357,378</u>
U.S. Department of the Interior		
477 Cluster:		
Service to Indian Children, Elderly, and Families	15.025	445,878
Indian Education - Higher Education Grant Program	15.114	<u>882,390</u>
Total 477 Cluster		<u>1,328,268</u>
Road Maintenance - Indian Roads	15.033	201,227
Indian Employment Assistance	15.108	385,938
COVID-19 - Indian Employment Assistance	15.108	<u>417,981</u>
Total Indian Employment Assistance	15.108	<u>803,919</u>
Indian Child Welfare Act - Title 2 Grade	15.144	<u>271,588</u>
Total U.S. Department of Interior		<u>2,605,002</u>
U.S. Department of Justice		
Crime Victim Assistance	16.575	2,803
VOCA Tribal Victim Service Set - Aside Program	16.841	2,035
Support for Adam Walsh Act Implementation Grant Program	16.750	<u>1,788</u>
Total U.S. Department of Justice		<u>6,626</u>
U.S. Department of Labor		
Native American Employment and Training	17.265	<u>409,901</u>
Total U.S. Department of Labor		<u>409,901</u>
U.S. Department of Transportation		
Highway Planning and Construction Cluster	20.205	337,057
Formula Grants for Rural areas and Tribal Transit Program	20.509	<u>236,344</u>
Total U.S. Department of Transportation		<u>573,401</u>
U.S. Department of The Treasury		
COVID-19-Coronavirus State and local Fiscal Recovery Funds	21.027	<u>9,768,807</u>
Total U.S. Department of The Treasury		<u>9,768,807</u>
U.S. Environmental Protection Agency		
Indian Environmental General Assistance Program (GAP)	66.926	163,662
Water Pollution Control State, Interstate, and Tribal program Support	66.419	<u>68,866</u>
Total U.S. Environmental Protection Agency		<u>232,528</u>

See accompanying notes to schedule of expenditures of federal awards.

KIOWA TRIBE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>AL Number</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services		
Special Programs for the Aging - Title VI, Part A, Grant to Indian Tribes - Part B, and Native Hawaiians	93.047	290,848
Aging Cluster:		
Nutrition Services Incentive Program	93.053	<u>13,452</u>
Total Aging Cluster		<u>13,452</u>
COVID-19 - National Family Caregiver Support, Title VI, Part C, Grant to Indian Tribes and Native Hawaiians	93.054	98,294
Medicare Enrollment Assistance Program	93.071	23
Special Diabetes Program for Indians - Diabetes Prevention and Treatment Projects	93.237	74,320
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	126,498
COVID-19 - Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.340	74,365
Indian Self - Determination	93.441	503,732
Promotion Safe and Stable families	93.556	152,028
Low - Income Home Energy Assistance	93.568	107,469
Child Care Development Fund Cluster:		
Child Care and Development Block Grant	93.575	3,080,421
Child Care Mandatory and Matching Funds of the Child Care Development Fund	93.596	<u>960,620</u>
Total CCDF Cluster		<u>4,041,041</u>
Head Start Cluster:		
Head Start	93.600	<u>1,403,840</u>
Total Head Start Cluster		<u>1,403,840</u>
Stephanie Tubbs Jones Child Welfare Services Programs	93.645	65,665
COVID-19 - Stephanie Tubbs Jones Child Welfare Services Programs	93.645	<u>3,260</u>
Total Stephanie Tubbs Jones Child Welfare Services Programs	93.645	<u>68,925</u>
Opioid STR	93.788	104,936
Demonstration Projects for Indian Health	93.933	<u>99,951</u>
Total U.S. Department of Health and Human Services		<u>7,159,722</u>
Total Expenditures of Federal Awards		<u>\$ 21,113,365</u>

See accompanying notes to schedule of expenditures of federal awards.

KIOWA TRIBE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "schedule") includes the federal award activity of the Kiowa Tribe (the "Tribe") under programs of the federal government for the year ended June 30, 2023. The information in this schedule 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). Because the schedule presents only a selected portion of the operations of the Tribe, it is not intended to and does not present the financial position, changes in net position or cash flows of the Tribe.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The underlying accounting records for some grant programs are maintained on the modified accrual basis of accounting. Under the modified accrual basis, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred. The accounting records for other grant programs are maintained on the accrual basis, i.e., when the revenue has been earned and the liability is incurred.

NOTE 3 - INDIRECT COST RATE

The Tribe has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4 - RECONCILIATION OF SECHEDULE OF EXPENDITURES OF FEDERAL AWARDS TO FINANCIAL STATEMENTS

The following is a reconciliation of the expenditures reported on the schedule of expenditures of federal awards to the expenditures reported on the statement of revenues, expenditures, and changes in fund balances - Special Revenue Fund included in the accompanying financial statements:

Expenditure according to schedule of expenditure of federal awards	\$ 21,113,365
Expenditure funded by nonfederal source	<u>79,002</u>
Expenditures per Statement of Revenues, Expenditures, and Changes in Fund Balances - Special Revenue Fund	<u><u>\$ 21,192,367</u></u>

COMPLIANCE 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

To Kiowa Tribe Executive Branch
Kiowa Tribe
Carnegie, Oklahoma

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, the business-type activities, each major fund, and the aggregate remaining fund information of the Kiowa Tribe, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Kiowa Tribe's basic financial statements, and have issued our report thereon dated March 28, 2024. The report on the discretely presented component unit was adverse because the Kiowa Casino Operations Authority was not presented in the financial statements.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Tribe's internal control over financial reporting (internal control) as a basis for designing 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 Tribe's internal control. Accordingly, we do not express an opinion on the effectiveness of Tribe'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 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 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 over financial reporting that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Tribe'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 financial statements. 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*.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Harshmal & Company LLP

Oakland, California

March 28, 2024

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR MAJOR FEDERAL PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE**

To Kiowa Tribe Executive Branch
Kiowa Tribe
Carnegie, Oklahoma

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Kiowa Tribe's (the "Tribe"), compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Tribe's major federal programs for the year ended June 30, 2023. The Tribe's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Tribe 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 June 30, 2023.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Tribe and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Tribe's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Tribe's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Tribe's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Tribe's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Tribe's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Tribe's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Tribe's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2023-001 and 2023-002. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the Tribe's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Tribe's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2023-001 and 2023-002 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Tribe's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. the Tribe's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The Tribe is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The Tribe's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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.

Harshmal & Company LLP

Oakland, California

March 28, 2024

**KIOWA TRIBE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

SECTION - I SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued on whether the financial statements were prepared in accordance with GAAP:

- Discretely presented component unit Adverse
- Governmental activities, general fund, special revenue fund, Kiowa Casino LUNA, gift shop fund, business-type activities, and the aggregate remaining fund information of the Tribe Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)? None Reported
- Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)? Yes

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in *accordance with Uniform Guidance 2 CFR 200.516(a)* Yes

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

Identification of major programs:

AL Number(s)	Name of Major Federal Program or Cluster		
15.025	Services to Indian Children, Elderly and Families (477 Cluster)		
15.114	Indian Education-Higher Education Grant (477 Cluster)		
21.027	Coronavirus State and Local Fiscal Recovery Funds		
Dollar threshold used to distinguish between Type A and Type B programs:		\$	750,000
Auditee qualified as low-risk auditee?			No

**KIOWA TRIBE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

SECTION II - AUDIT FINDINGS IN RELATION TO FINANCIAL STATEMENTS

There were no findings related to the financial statements for the fiscal year ended June 30, 2023.

KIOWA TRIBE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2023-001 Allowable Costs/Allowable Activities - Payroll (Significant Deficiency) - Repeated and Modified (Prior Year Finding 2022-002)

Federal Program Information:

Funding agency:	U.S. Department of the Treasury
Title:	Coronavirus State and Local Fiscal Recovery Funds
ALN#:	21.027
Questioned Costs:	None

Criteria or Specific Requirement

Tribal personnel policy and procedures should be followed and proper documents should be maintained for payroll disbursements.

Condition

Many of the timecards in the ARPA program were lacking management approval. There were compensating controls on an aggregate level for the payroll approval process. Out of total payroll transactions, we noted 22 out of our sample of 25 were deficient. The sample selected was exclusively from the ARPA program. The sample was not statistically valid because sampling risk was not quantified.

Cause

The Tribe had modified the payroll approval process and the approvals on individual timecards were not being checked.

Effect

The Tribe could be paying timecards that were not as accurate as those that are reviewed at an individual level, rather than a less effective aggregate level.

Recommendation

We recommend that the Tribe ensure that controls are properly implemented for the reporting requirement, and to ensure adequate documentation is maintained related to payroll disbursement.

Management Response

The Tribe recently went through administrative changes, and we now have a CFO and HR Director who will ensure that we address this concern and correct it in a timely manner. We will revisit our current controls and use updated technology to improve our processes.

Anticipated Completion Date

6/30/2024

Name(s) of Contact Person(s) Responsible for Corrective Action Plan

Deb Emhoolah, HR Director; William Weaver, CFO; Summer Palmer, Deputy CFO; and Marland Toyekoyah, Executive Director

**KIOWA TRIBE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2023-002 Procurement, Suspension, and Debarment (Significant Deficiency)

Federal Program Information:

Funding agency:	U.S. Department of the Treasury
Title:	Coronavirus State and Local Fiscal Recovery Funds
ALN#:	21.027
Questioned Costs:	None

Criteria or Specific Requirement

Non-federal entities are restricted from engaging in contracts or subawards under covered transactions with parties that are suspended or debarred. According to 2 CFR section 200.319, all procurement transactions for acquiring property or services required under a Federal award must be conducted with full and open competition. This ensures fairness and transparency in the procurement process, consistent with the standards outlined in this section and § 200.320. Additionally, Tribal procurement policies and procedures should be adhered to when contracting with external parties.

Condition

During our testing, we noted that the Tribe did not have properly documented procurement regulations that met federal requirements. Consequently, we were unable to verify the procurement methods used for the vendors tested. Below is a detailed description of the discrepancies found for a selected sample of 7 vendors:

- i) In our sample, we noted that all 7 vendors were deficient due to a lack of documentation verifying vendor eligibility. This raises concerns about whether the Tribe conducted a suspension/debarment check prior to payment.
- ii) For 5 of the 7 vendors in our sample, there were deficiencies due to the absence of signed contracts or agreements. This indicates a failure to document and formalize the terms of engagement.
- iii) In the case of 3 out of the 7 vendors, deficiencies were noted due to missing documentation supporting the vendor as a sole source, suggesting a lack of justification for non-competitive procurement.
- iv) We observed that 2 out of the 7 vendors, documentation were deficient due to the absence of written quotes, which violates the Tribe's procurement policy and hinders transparency and evaluation of vendor proposals.
- v) Also, for 2 out of the 7 vendors, there were deficiencies noted due to missing copies of vendor proposals. This contravenes the Tribe's procurement policy, impeding transparency and assessment of vendor offerings.

Cause

Insufficient internal controls and lack of effective administrative oversight over Procurement requirements.

Effect

Noncompliance with procurement requirements under Uniform Guidance and Tribal procurement policy.

**KIOWA TRIBE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

2023-002 Procurement, Suspension, and Debarment (Significant Deficiency) - Cont'd

Recommendation

The Tribal should improve its vendor selection procedures and ensure adherence to procurement policies to minimize risks and enhance efficiency.

Management Response

The Tribe recently went through administrative changes, and we now have a CFO and Procurement Director who will ensure that we address this concern and correct it in a timely manner. We will revisit our current controls and use updated technology to improve our processes.

Anticipated Completion Date

6/30/2024

Name(s) of Contact Person(s) Responsible for Corrective Action Plan

Loy Apriesnig, Procurement Director; William Weaver, CFO; Summer Palmer, Deputy CFO; and Marland Toyekoyah, Executive Director

**KIOWA TRIBE
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023**

Prior Year Audit Findings		Status
2022-001	Account Reconciliations	Resolved
2022-002	Allowable Costs/Allowable Activities - Payroll	Repeated and Modified

KIOWA TRIBE
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2023



KIOWA TRIBE
P.O. Box 369 | Carnegie, Oklahoma | 73015
Phone: 580-654-2300 | Fax: 580-654-0067
Finance Department

CORRECTIVE ACTION PLAN

Date Submitted: March 28, 2024

FEDERAL AWARD FINDINGS

2023-001 Allowable Costs/Allowable Activities - Payroll (Significant Deficiency) - Repeated and Modified (Prior Year Finding 2022-002)

Management Response: The Tribe recently went through administrative changes, and we now have a CFO and HR Director who will ensure that we address this concern and correct it in a timely manner. We will revisit our current controls and use updated technology to improve our processes.

Anticipated Completion Date: 6/30/2024

Name(s) of Contact Person(s) Responsible for Corrective Action Plan: Deb Emhoolah, HR Director; William Weaver, CFO; Summer Palmer, Deputy CFO; and Marland Toyekoyah, Executive Director

2023-002 Procurement, Suspension, and Debarment (Significant Deficiency)

Management Response: The Tribe recently went through administrative changes, and we now have a CFO and Procurement Director who will ensure that we address this concern and correct it in a timely manner. We will revisit our current controls and use updated technology to improve our processes.

Anticipated Completion Date: 6/30/2024

Name(s) of Contact Person(s) Responsible for Corrective Action Plan: Loy Apriesnig, Procurement Director; William Weaver, CFO; Summer Palmer, Deputy CFO; and Marland Toyekoyah, Executive Director