

LEECH LAKE TRIBAL COLLEGE, INC.
CASS LAKE, MINNESOTA
FINANCIAL AND COMPLIANCE AUDIT REPORT
YEAR ENDED JUNE 30, 2010

LEECH LAKE TRIBAL COLLEGE, INC.
CASS LAKE, MINNESOTA
JUNE 30, 2010

TABLE OF CONTENTS

	<u>Page</u>
OFFICIAL DIRECTORY	1
INDEPENDENT AUDITORS' REPORT	2-3
REQUIRED SUPPLEMENTARY INFORMATION	
Management's Discussion and Analysis	4-11
FINANCIAL STATEMENTS	
College-Wide Financial Statements:	
Statement of Net Assets	12
Statement of Activities	13
Governmental Fund Financial Statements:	
Balance Sheet – Governmental Funds	14
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Proprietary Fund Financial Statements:	
Balance Sheet	17
Statement of Revenues, Expenses, and Changes in Fund Net Assets	18
Statement of Cash Flows	19
Notes to Financial Statements	20-30

LEECH LAKE TRIBAL COLLEGE, INC.
CASS LAKE, MINNESOTA
JUNE 30, 2010

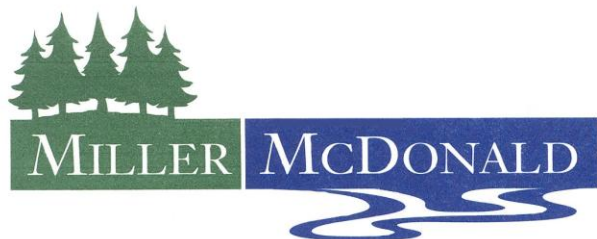
TABLE OF CONTENTS (CONTINUED)

	<u>Page</u>
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – General Fund	31
Budgetary Comparison Schedule – BIA Operating Fund	32
Budgetary Comparison Schedule – NSF Fund	33
Budgetary Comparison Schedule – Title III Fund	34
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards	35
Notes to Supplementary Schedule of Expenditures of Federal Awards	36
OTHER REPORTS	
Report on Compliance Based on an Audit of the Financial Statements Performed In Accordance with the <i>MN Legal Compliance Audit Guide for Local Governments</i>	37
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	38-39
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with <i>OMB Circular A-133</i>	40-41
Schedule of Findings and Questioned Costs	42-44

LEECH LAKE TRIBAL COLLEGE, INC.
CASS LAKE, MINNESOTA
JUNE 30, 2010

OFFICIAL DIRECTORY

President	07-01-09 to 06-30-10	Virginia Carney
VP – Operations	07-01-09 to 04-17-10	Sharon Kotla
Director of Institutional Advancement	07-01-09 to 06-30-10	Kyle Erickson
Chairperson	07-01-09 to 06-30-10	Priscilla Day
Vice Chairperson	07-01-09 to 06-30-10	Bonnie Rock
Secretary	07-01-09 to 06-30-10	Murial Crawford
Treasurer	07-01-09 to 06-30-10	Gary Charwood
Trustee	07-01-09 to 06-30-10	Bernice Pemberton
Trustee	07-01-09 to 06-30-10	Jerry Morgan
Trustee	07-01-09 to 06-30-10	Dennis Banks
Student Senate Representative	07-01-09 to 06-30-10	Robert Budreau Jr.



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Bemidji, MN 56619
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INDEPENDENT AUDITORS' REPORT

**Board of Trustees
Leech Lake Tribal College, Inc.
Cass Lake, Minnesota**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Leech Lake Tribal College, Inc., a component unit of the Leech Lake Band of Ojibwe, as of and for the year ended June 30, 2010, which collectively comprise the College's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Leech Lake Tribal College, Inc. as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2011, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 4-11 and pages 31-34, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements of the Leech Lake Tribal College, Inc. Such information has been subjected to the auditing procedures in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Miller McDonald, Inc.

March 30, 2011
Bemidji, Minnesota

LEECH LAKE TRIBAL COLLEGE, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010

This section of the financial report presents our discussion and analysis of the Leech Lake Tribal College's financial performance during the fiscal year ended June 30, 2010. Please read it in conjunction with the College's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- During the year, the College's total net assets decreased by \$25,943 from \$7,769,332 to \$7,743,389. The change in the College's overall financial position is mainly attributable to an increase of \$106,784 in endowment assets, a decrease of \$163,306 in capital assets, and a decrease of \$51,054 in unrestricted net assets.
- Government-wide net assets are \$7,743,389, \$6,039,455 invested in capital assets, \$1,573,770 restricted for the BIA, Title III, and AICF Sii Ha Sin Maintenance endowments, \$43,599 restricted for other uses, \$20,876 was unrestricted but designated for unemployment compensation claims, and \$65,689 was unrestricted.
- Governmental Fund revenues were \$5,477,130 and transfers from the Leech Lake Band of Ojibwe were \$231,640; transfers to the Internal Service Fund from the General Fund were \$113,122; expenditures were \$5,515,957, resulting in an increase in fund balance of \$79,691 for the year.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (page 12 and 13) provide information about the College as a whole and present a longer-term view of the College finances. The governmental fund financial statements (pages 14 – 16) report the College's operations in more detail, showing how these services were financed in the short term as well as what remains for future spending. Governmental fund financial statements also provide information about the College's most significant funds. The Proprietary fund financial statements (pages 17 – 19) provide information on the College's Internal Service Fund. The financial statements also include notes that explain some of the information in the financial statements and provide more detail in support of the assertions made. The statements are followed by a section of required supplementary information that further explains and supports the data provided.

COLLEGE-WIDE STATEMENTS

The college-wide financial statements are designed to provide readers with a broad overview of the College's finances. The statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

LEECH LAKE TRIBAL COLLEGE, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010

These two statements report the College's net assets and changes in them. You can think of the College's net assets—the difference between assets and liabilities—as one way to measure the College's financial health, or financial position. Over time, increases or decreases in the College's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in enrollment, to further assess the overall health of the College.

Table A-1
 Leech Lake Tribal College's Net Assets
 college-wide

	<u>College Activities</u> <u>2010</u>	<u>College Activities</u> <u>2009</u>
Current and other assets	\$ 3,291,426	\$ 2,670,005
Capital Assets	6,486,663	6,649,969
Total Assets	<u>9,778,089</u>	<u>9,319,974</u>
Current Liabilities	1,648,732	1,101,983
Long Term Liabilities	385,968	448,659
Total Liabilities	<u>2,034,700</u>	<u>1,550,642</u>
Net Assets		
Invested in capital assets	6,039,455	6,145,089
Restricted	1,617,369	1,486,624
Designated – Unemployment Claims	20,876	20,793
Unrestricted	65,689	116,826
Total net assets	<u>\$ 7,743,389</u>	<u>\$ 7,769,332</u>

LEECH LAKE TRIBAL COLLEGE, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010

Changes in net assets:

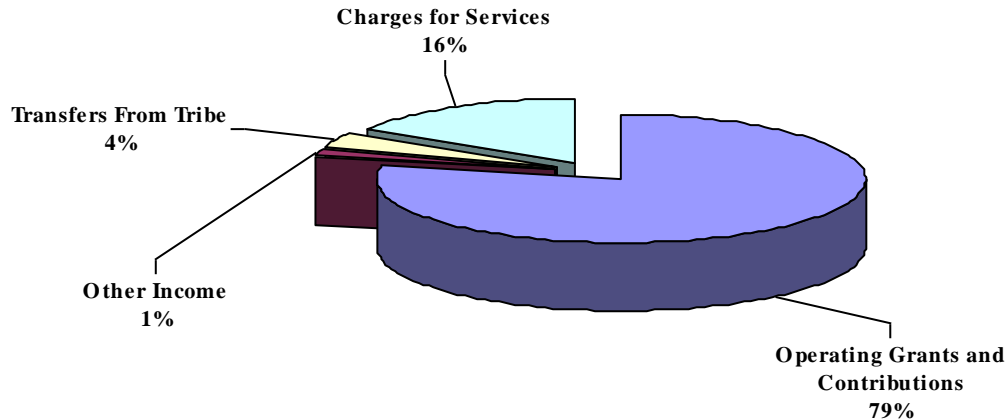
The pie chart on the following page describes the composition of the College-wide revenues. 78.4% or \$4,477,769 of the College revenue was received from operating grants and contributions. \$3,350,417 or 74.8% of that was from Federal sources. The College received 4.1% or \$231,640 from the Leech Lake Band of Ojibwe, 16.1% or \$916,454 from student tuition, fees, and charges for services, predominantly from the sale of books in the college bookstore, and 1.4% or \$82,907 from other income.

Table A-2
 Leech Lake Tribal College's Revenues & Expenditures
 college-wide

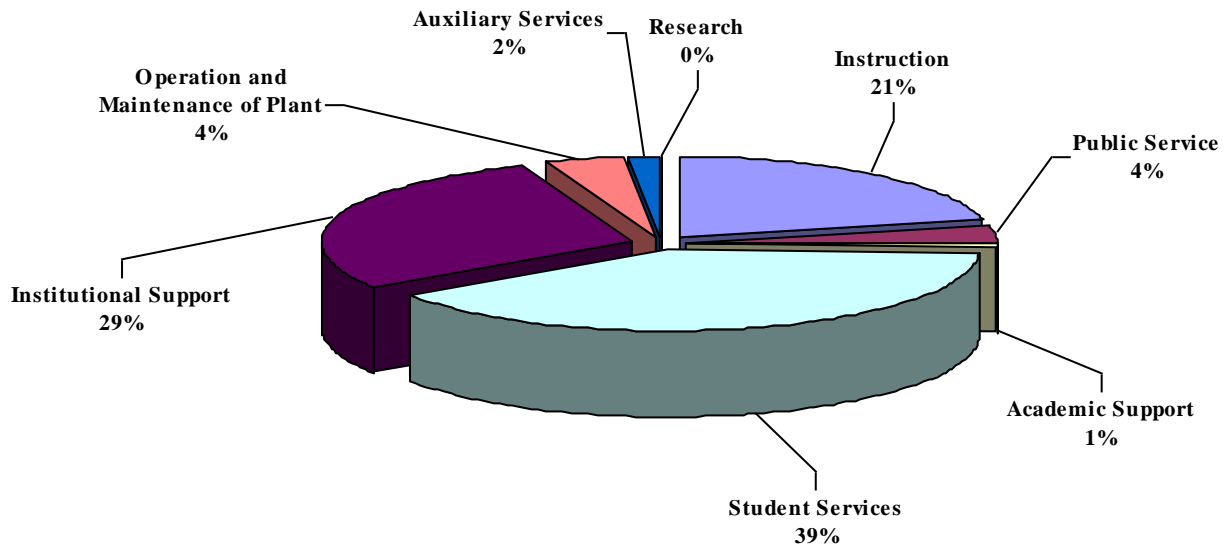
	<u>2010</u>	<u>2009</u>	<u>Change</u>	<u>% Change</u>
Revenues				
Program revenues				
Charges for services	\$ 916,454	\$ 695,891	\$ 220,563	31.70%
Federal grants	3,359,875	3,359,875	-	0.00%
State and other grants	1,117,894	1,111,274	6,620	0.60%
General revenues				
Donations	64,099	35,568	28,531	80.22%
Miscellaneous	19,241	26,596	(7,355)	100.00%
Investment Income (Loss)	(433)	(18,335)	17,902	-97.64%
Transfers from LLBO	231,640	231,644	(4)	0.00%
Total Revenues	<u>5,708,770</u>	<u>5,442,513</u>	<u>266,257</u>	<u>4.89%</u>
Expenditures				
Instruction	1,163,473	1,162,263	1,210	0.10%
Research	513	-	513	100.00%
Public service	206,226	315,777	(109,551)	-34.69%
Academic support	291,459	210,296	81,163	38.59%
Student services	2,191,629	2,079,079	112,550	5.41%
Institutional support	1,569,040	1,164,657	404,383	34.72%
Operation and maint. of plant	227,021	381,942	(154,921)	-40.56%
Auxiliary services	85,352	110,440	(25,088)	-22.72%
Total Expenditures	<u>5,734,713</u>	<u>5,424,454</u>	<u>310,259</u>	<u>5.72%</u>
Revenue Over Expenditures	<u>\$ (25,943)</u>	<u>\$ 18,059</u>	<u>\$ (44,002)</u>	<u>-243.66%</u>

LEECH LAKE TRIBAL COLLEGE, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010

College Wide Revenue - \$5,708,770



EXPENSES - \$5,734,713



In fiscal year 2010, \$1,549,455 was distributed to students in financial aid. If that amount is factored out, the amount expended on student services activities is \$642,174 or 11.1% of total expenditures. There was 4.9% or \$266,257 more revenue received in 2010 than in 2009, and there was 5.7% or \$310,259 more in expenditures. The total decrease in net assets in 2010, \$25,943, was \$44,002 less than the increase in net assets in fiscal year 2009.

LEECH LAKE TRIBAL COLLEGE, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010

The expenditures presented in the governmental funds on page 15 are \$5,515,957. The reconciliation to the college-wide statements is comprised of the following: removing the indirect costs charged of \$468,661 and the capital expenditures of \$150,408 and the \$57,672 mortgage payment and including the \$581,783 expenses in the indirect cost pool and depreciation expense of \$313,714. This is part of the fundamental difference between the reports as required by GASB 34.

The college-wide statement of net assets includes \$6,486,663 of capital assets (net related accumulated depreciation of \$1,524,049). Property and equipment increased \$103,124 to \$901,759; an increase of \$103,124 for vehicles. Buildings increased \$47,284 to \$7,108,953; all from building improvements.

GOVERNMENTAL ACTIVITIES

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds, not the College as a whole. The funds are used to control and manage money for a particular purpose, or in order to demonstrate legal compliance when using certain grants and other money. The two fund types used by the College, governmental and proprietary, use different accounting approaches.

- **Governmental funds-** The fund presentation focuses on how money flows into and out of those funds and the balances that are left at year-end and are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. Governmental fund types include the General Fund and Special Revenue Funds. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance the College's programs. Page 16 describes and reconciles the relationship (or differences) between balances reported in the college-wide Statement of Net Assets and the Statement of Activities (page 12 and 13) and governmental funds and proprietary funds financial statements (pages 14-15).

Most of the College's basic administration is funded through the general fund. Revenue sources include tuition and fees charged to students and transfers from the Leech Lake Band of Ojibwe. The College accounts for grants and contracts in the special revenue funds, which are funds legally restricted for specified purposes. Program expenditures are budgeted on the basis of each respective program's fiscal year, which varies by program, and generally does not coincide with the College's fiscal year.

Governmental financial statements highlight the College's major programs, which include funding from the BIA for operations, the College Endowment Fund, and the LLBO Construction Contribution Fund. All other programs are combined into the column "Other Governmental Programs".

Funding from the Department of Interior under public law 95-471, Title I of the Tribally Controlled College or University Assistance Act is administered by the Bureau of Indian Affairs Office of Indian Education Programs. It is the College's largest grant and is enrollment driven.

LEECH LAKE TRIBAL COLLEGE, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010

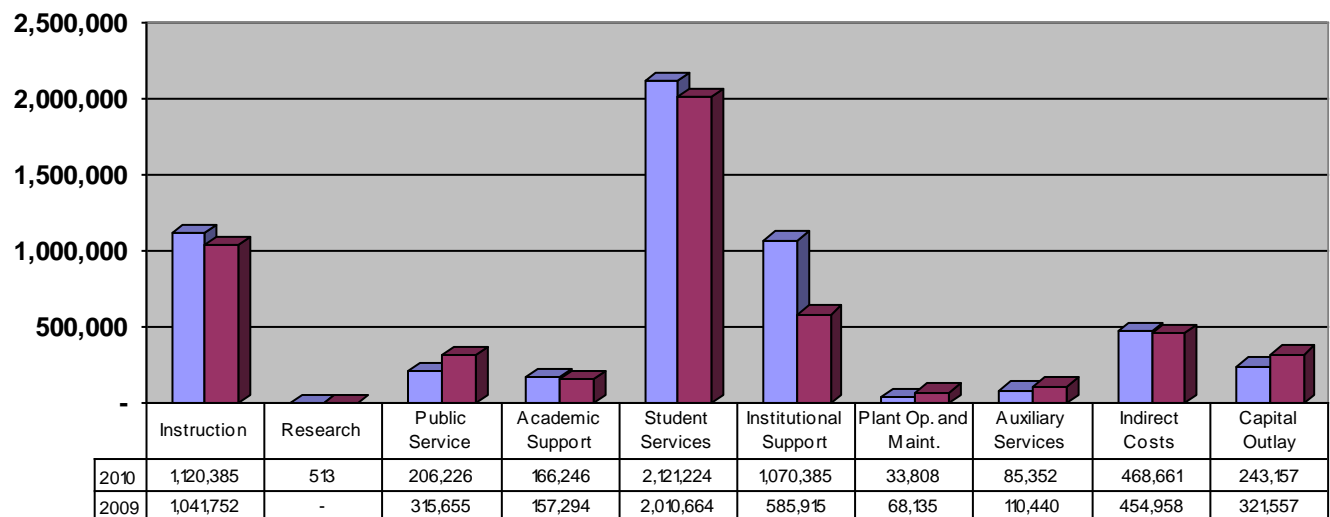
The BIA Endowment increased \$15,645 to a balance of \$555,457; \$17,300 from contributions from federal and matching sources, an increase of \$11,197 from interest earnings, and a decrease of \$12,852 from market value change.

The Title III Endowment increased \$87,973 to \$935,994 in 2010; \$90,000 in principal contributed from federal and matching sources, \$13,717 in interest earnings and a decrease of \$15,744 from market value change.

The American Indian College Fund/Sii Ha Sin Maintenance Endowment decreased \$455, from interest earnings of \$3,079 and a market value decrease of \$3,534, to a balance of \$140,220 at year end.

The BIA endowment terms require a 50% match, and the Title III endowment terms require a 100% match. These matching dollars are allocated from the College's general fund. Interest may be used to offset College administrative expenses, but to date the College has not used any of the interest revenue earned.

The following chart highlights the relationship in College expenditures to each of the functional categories reported in the governmental Statement of Revenues, Expenditures and Changes in Fund Balance.



The above chart shows a decrease in spending in Public Service, Plant Operations and Maintenance, Auxiliary Services, and Capital Outlay. All other categories show an increase in spending over the prior year.

LEECH LAKE TRIBAL COLLEGE, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010

- **Proprietary Funds are used to account for charges for services the College provides to other units of the College, or the College's internal service fund. A statement of Cash Flows is provided. This fund is used to pool the costs of the College's expenses that cannot be allocated 100% to either general fund expenses or grant expenses. Services such as accounting, maintenance and security, human resources, some library services and some of the administrative expense related to the President and Vice-President are accounted for here. The College's negotiated indirect cost rate was 25.9% in fiscal year 2010; it was applied to all the College programs to pay for the services provided except for grants, which do not allow such charges.**

Revenues of \$468,661 for our internal service fund, the indirect Cost Pool, were exceeded by expenses of \$581,783, resulting in a shortfall of \$113,122 at year end.

One of the College's priorities in our strategic plan is to become self-sustaining. As a part of that goal, the College became a legally separate entity from the Leech Lake Band of Ojibwe by incorporating on its own, drafting its own Charter and bylaws, and separating the accounting and human resources functions from the Leech Lake Band of Ojibwe on January 1, 2003. We also obtained 501(c)3 status from the IRS effective June 30, 2003.

The College has performed several processes internally to prepare for the success of this separation, including restructuring the management services, revamping the education requirements and degrees available, drafting a strategic plan, preparing a comprehensive self study, and incorporating an institutional assessment plan into the classrooms. These are ongoing initiatives that will strengthen the College's services and will allow for positioning in the market to optimize the growth opportunity that the new facilities will provide. The Higher Learning Commission of the North Central Association of Colleges and Schools granted the College initial accreditation in the fall of 2006. This has been a major accomplishment for the College and is expected to lead to increased student enrollment in upcoming years.

The College general fund budget to actual comparison found on page 31 includes transfers budgeted from the Leech Lake Band of Ojibwe of \$231,640 of which 100% was received. The revenue from Tuition and Fees, \$916,454, was more than anticipated, \$683,525, by \$232,929. Total revenues were 33.9% or \$312,150 more than anticipated.

Expenditures in the general fund were 1.9% or \$23,253 greater than the budget of \$1,235,155. Total general fund revenues less expenditures were 91.4% or \$288,897 more than expected for the fiscal year.

LEECH LAKE TRIBAL COLLEGE, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The College considered factors such as grant renewal, enrollment, and College priorities and plans for improvement when setting the fiscal year 2011 budget. Grant money received by the College is expected to decrease from the prior year due to the completion of the National Science Foundation (NSF) grant. New grants are applied for to replace the ones completed or to fund new programs or expand current programs. Tribal support for operations of the College for fiscal year 2009 remained the same for fiscal year 2010 and is expected to continue through fiscal year 2011.

The projected revenues and expenditures for the year including grants for fiscal year 2011 are \$6,595,998. The Master Campus Plan was complete December 2010, priorities for fiscal year 2011 will be to start on construction of a Garage building to house the college vehicles and equipment and develop plans for a standalone Library building.

Enrollment has been holding steady. With the three new buildings on campus and gaining accreditation status in 2006, we expect enrollment to increase in the future.

LEECH LAKE TRIBAL COLLEGE, INC.
STATEMENT OF NET ASSETS
JUNE 30, 2010

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Current Assets	
Cash and Cash Equivalents	\$ 1,161,774
Restricted Cash	20,876
Investments	61,522
Investments - Restricted	1,573,770
Accounts Receivable, Net	42,251
Inventory	14,775
Due from Tribe	19,936
Due from Other Governments	396,522
Total Current Assets	<u>3,291,426</u>
 Noncurrent Assets	
Capital Assets	
Property and Equipment	8,010,712
Less: Accumulated Depreciation	<u>(1,524,049)</u>
Net Capital Assets	<u>6,486,663</u>
TOTAL ASSETS	<u><u>9,778,089</u></u>
 <u>LIABILITIES</u>	
Current Liabilities	
Current Maturities of Long-Term Debt	61,240
Accounts Payable	111,789
Accrued Liabilities	266,353
Due to Tribe	47,005
Deferred Revenue	1,162,345
Total Current Liabilities	<u>1,648,732</u>
 Noncurrent Liabilities	
Long-Term Debt, Net of Current Maturities	<u>385,968</u>
TOTAL LIABILITIES	<u><u>2,034,700</u></u>
 <u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	6,039,455
Restricted	1,617,369
Unrestricted	86,565
TOTAL NET ASSETS	<u><u>\$ 7,743,389</u></u>

See Accompanying Notes to Financial Statements.

LEECH LAKE TRIBAL COLLEGE, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Primary Government				
Governmental Activities				
Instruction	\$ 1,163,473	\$ 787,599	\$ 383,994	\$ 8,120
Research	513	-	20,201	19,688
Public Service	206,226	-	215,881	9,655
Academic Support	291,459	-	160,245	(131,214)
Student Services	2,191,629	14,715	1,818,724	(358,190)
Institutional Support	1,569,040	39,253	1,878,724	348,937
Operation and Maintenance of Plant	227,021	-	-	(227,021)
Auxiliary Services	85,352	74,887	-	(10,465)
Total Primary Government	<u>\$ 5,734,713</u>	<u>\$ 916,454</u>	<u>\$ 4,477,769</u>	<u>(340,490)</u>
General Revenues:				
				64,099
				19,241
				(433)
				231,640
				<u>314,547</u>
				(25,943)
				<u>7,769,332</u>
				<u>\$ 7,743,389</u>

See Accompanying Notes to Financial Statements.

LEECH LAKE TRIBAL COLLEGE, INC.
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2010

	General Fund	BIA Operating	College Endowment Fund	PELL	NSF	Title III	Other Governmental Funds	Total Governmental Funds
Assets								
Current Assets								
Cash and Cash Equivalents	\$ 130,421	\$ 1,103,009	\$ -	\$ 40,945	\$ 1,057	\$ 13,587	\$ 62,202	\$ 1,351,221
Restricted Cash	20,876	-	-	-	-	-	-	20,876
Investments	-	-	61,522	-	-	-	-	61,522
Investments - Restricted	-	-	1,573,770	-	-	-	-	1,573,770
Account Receivable, Net	35,713	-	-	-	331	1,724	3,320	41,088
Inventory	14,775	-	-	-	-	-	-	14,775
Due from Tribe	19,936	-	-	-	-	-	-	19,936
Due from Other Funds	172,754	-	-	1,338	155	-	12,176	186,423
Due from Other Governments	-	-	-	94,550	56,592	22,499	222,881	396,522
Total Assets	\$ 394,475	\$ 1,103,009	\$ 1,635,292	\$ 136,833	\$ 58,135	\$ 37,810	\$ 300,579	\$ 3,666,133
Liabilities and Fund Balances								
Current Liabilities								
Accounts Payable	\$ 21,031	\$ 29	\$ -	\$ 945	\$ 9,806	\$ 5,105	\$ 72,390	\$ 109,306
Accrued Liabilities	17,740	59,547	-	258	48,329	32,705	40,710	199,289
Due to Tribe	-	47,005	-	-	-	-	-	47,005
Due to Other Funds	271,500	1,136	-	135,630	-	-	35,988	444,254
Deferred Revenue	15,562	995,292	-	-	-	-	151,491	1,162,345
Total Liabilities	325,833	1,103,009	-	136,833	58,135	37,810	300,579	1,962,199
Fund Balances								
Reserved	43,599	-	1,573,770	-	-	-	-	1,617,369
Unreserved	25,043	-	61,522	-	-	-	-	86,565
Total Fund Balances	68,642	-	1,635,292	-	-	-	-	1,703,934
Total Liabilities and Fund Balances	\$ 394,475	\$ 1,103,009	\$ 1,635,292	\$ 136,833	\$ 58,135	\$ 37,810	\$ 300,579	

Accounts reported for governmental activities in the statement of net assets are different because capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

6,486,663

Mortgage Note Payable is not due and payable in the current period and therefore is not reported in the funds.

(447,208)

Net assets of governmental activities

\$ 7,743,389

See Accompanying Notes to Financial Statements.

LEECH LAKE TRIBAL COLLEGE, INC.
STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010

	General Fund	BIA Operating	College Endowment Fund	PELL	NSF	Title III	Other Governmental Funds	Total Governmental Funds
Revenues								
Intergovernmental	\$ -	\$ 727,116	\$ -	\$ 804,072	\$ 487,042	\$ 441,103	\$ 2,018,436	\$ 4,477,769
Program Income	839,114	-	-	-	-	-	-	839,114
Book Sales	77,340	-	-	-	-	-	-	77,340
Donations	63,897	-	-	-	-	-	202	64,099
Miscellaneous	19,241	-	-	-	-	-	-	19,241
Investment Income (Loss)	83	-	(516)	-	-	-	-	(433)
Total Revenue	999,675	727,116	(516)	804,072	487,042	441,103	2,018,638	5,477,130
Expenditures								
Instruction	415,141	168,674	-	-	209,122	-	327,448	1,120,385
Research	-	-	-	-	-	-	513	513
Public Service	-	-	-	-	-	-	206,226	206,226
Academic Support	58,928	58,469	-	-	26,427	-	22,422	166,246
Student Services	84,573	59,960	-	804,072	83,573	34,766	1,054,280	2,121,224
Institutional Support	323,006	289,004	-	-	75,430	324,364	58,581	1,070,385
Operation and Maintenance Plant	-	157	-	-	-	31,190	2,461	33,808
Auxiliary Services	85,352	-	-	-	-	-	-	85,352
Indirect Costs	175,462	123,977	-	-	90,202	-	79,020	468,661
Capital Outlay	-	-	-	-	2,288	5,783	235,086	243,157
Total Expenditures	1,142,462	700,241	-	804,072	487,042	396,103	1,986,037	5,515,957
Total Revenue Over (Under) Expenditures	(142,787)	26,875	(516)	-	-	45,000	32,601	(38,827)
Other Financing Sources (Uses)								
Transfers From/(To) Tribe	231,640	-	-	-	-	-	-	231,640
Transfers From/(To) Other Funds	(115,946)	(26,875)	107,300	-	-	(45,000)	(32,601)	(113,122)
Total Other Financing Sources (Uses)	115,694	(26,875)	107,300	-	-	(45,000)	(32,601)	118,518
Net Changes in Fund Balances	(27,093)	-	106,784	-	-	-	-	79,691
Fund Balance, Beginning of Year	95,735	-	1,528,508	-	-	-	-	1,624,243
Fund Balance, End of Year	\$ 68,642	\$ -	\$ 1,635,292	\$ -	\$ -	\$ -	\$ -	\$ 1,703,934

See Accompanying Notes to Financial Statements.

LEECH LAKE TRIBAL COLLEGE, INC.
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

Net Change in Fund Balances - Governmental Funds \$ 79,691

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

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

Capital Outlay	\$ 150,408	
Depreciation Expense	<u>(313,714)</u>	(163,306)

Repayment of debt principal is an expenditure in the governmental
funds, but the repayment reduces long-term liabilities in the state-
ment of net assets.

57,672

Change in Net Assets of Governmental Activities

\$ (25,943)

See Accompanying Notes to Financial Statements.

LEECH LAKE TRIBAL COLLEGE, INC.
BALANCE SHEET - PROPRIETARY FUND
JUNE 30, 2010

	<u>Internal Service Fund</u>
<u>Assets</u>	
Current Assets	
Account Receivable, Net	\$ 1,163
Due from Other Funds	257,831
Total Assets	<u>\$ 258,994</u>
 <u>Liabilities</u>	
Current Liabilities	
Cash Deficit	\$ 189,447
Accounts Payable	2,483
Accrued Liabilities	67,064
Total Current Liabilities	<u>258,994</u>
 <u>Net Assets</u>	
Unrestricted	<u>-</u>
Total Liabilities and Net Assets	<u>\$ 258,994</u>

See Accompanying Notes to Financial Statements.

LEECH LAKE TRIBAL COLLEGE, INC.
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUND
YEAR ENDED JUNE 30, 2010

	<u>Internal Service Fund</u>
<u>Operating Revenues</u>	
Indirect Cost Revenue	<u>\$ 468,661</u>
<u>Operating Expenses</u>	
Salaries and Wages	377,552
Employee Benefits	111,071
Advertising	2,300
Professional Fees	19,500
Office Supplies	20,833
Travel	8,831
Repairs and Maintenance	30,357
Other	11,339
Total Operating Expenses	<u>581,783</u>
<u>Operating Income (Loss)</u>	(113,122)
Transfers from Governmental Funds	<u>113,122</u>
<u>Changes in Net Assets</u>	-
<u>Total Net Assets, Beginning of Year</u>	<u>-</u>
<u>Total Net Assets, End of Year</u>	<u>\$ -</u>

See Accompanying Notes to Financial Statements.

LEECH LAKE TRIBAL COLLEGE, INC.
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
YEAR ENDED JUNE 30, 2010

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	<u>Internal Service Fund</u>
<u>Cash Flows from Operating Activities</u>	
Net Operating Income	\$ -
Adjustments to Reconcile Net Operating Income to Net Cash Provided by (Used in) Operating Activities:	
(Increase) Decrease in Assets:	
Due from Other Funds	(152,575)
Increase (Decrease) in Liabilities:	
Accounts Payable	(2,520)
Accrued Liabilities	1,455
Due to Tribe	(140)
Due to Other Funds	(88)
Net Cash Provided by (Used in) Operating Activities	<u>(153,868)</u>
<u>Net Increase (Decrease) in Cash and Cash Equivalents</u>	(153,868)
<u>Cash Deficit, Beginning of Year</u>	<u>(35,579)</u>
<u>Cash Deficit, End of Year</u>	<u>\$ (189,447)</u>

See Accompanying Notes to Financial Statements.

LEECH LAKE TRIBAL COLLEGE, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

1. Summary of Significant Accounting Policies

The Leech Lake Tribal College, Inc. (the College) was tribally chartered by the Leech Lake Reservation Tribal Council. The College was formed for the following purposes:

- To create and establish, within the framework of Leech Lake Reservation Tribal Government, an educational institution for post-secondary and higher education.
- To operate exclusively for non-profit purposes and that no part of the income or assets of the corporation shall be distributed to or for the behalf of any individual.
- To operate for educational, cultural and humanitarian purposes only.

The College was established by the Leech Lake Band of Ojibwe by Tribal resolution in July, 1990. The Tribal Council, acting Board of Trustees, passed a motion authorizing the establishment of a separate business office at the College at the May 1, 2000 Board of Trustees meeting. The College was legally organized and incorporated by the State of Minnesota on October 26, 2000. Articles of Incorporation drawn up on October 14, 1991, governed the College until the Tribal College Charter bylaws were adopted on March 21, 2002 and the College received 501(c)(3) status from the Internal Revenue Service on September 5, 2003, effective June 30, 2003. To support the separation from the Band, Resolution Number 03-49 was passed which transferred ownership of all furniture, equipment and bank accounts to the College on October 24, 2002. The College obtained accreditation status granted by the Higher Learning Commission of the North Central Association of Colleges and Schools during the year ended June 30, 2006.

The College is governed by a Board of Trustees composed of seven members appointed by the Leech Lake Reservation Tribal Council. The Board has the responsibility for formulating broad public policy for higher learning in the College's service area.

The financial reporting policies of the College conform to accounting principles generally accepted in the United States of America except as discussed in the following notes, as applicable to governments. The following summary of significant policies is presented to assist the reader in interpreting the financial statements and other data in this report. These policies, as presented, should be viewed as an integral part of the accompanying financial statements.

LEECH LAKE TRIBAL COLLEGE, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

A. Reporting Entity

In evaluating how to define the entity for financial statement purposes, management evaluated the College based on a number of criteria. The basic, but not the only, criterion is the entity's financial accountability to the primary government (the Leech Lake Band of Ojibwe). Financial accountability is measured through the degree to which the primary government can appoint a voting majority of the governing body, impose its will, ascertain a potential benefit, or face a potential financial burden with regard to the potential component unit.

Based on the above criterion, it was determined that the College should be included in the reporting entity of the Tribe. The component unit should be discretely presented as the Tribal Council appoints a majority of the Board and, accordingly, can impose its will.

The governmental activities presented in the Statement of Net Assets include the College's general, special revenue, and internal service funds.

B. Basis of Accounting and Basis of Presentation

Basic Financial Statements

The basic financial statements of the College include the government-wide and the fund financial statements. Prior to implementation of GASB 34, the financial statements emphasized fund types and account groups. In the new reporting model the focus is on the College as a whole in the college-wide financial statements, while reporting additional and detailed information about the College's major governmental activities in fund financial statements.

Government-wide Statements

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

These statements include the financial activities of the overall College. Eliminations have been made to minimize the double counting of internal activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the College's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been eliminated for the statement of activities. Program revenues include

LEECH LAKE TRIBAL COLLEGE, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

program fees for services and grants and contributions restricted to a particular program. Revenues that are not classified as program revenues are presented as general revenues. When both restricted and unrestricted resources are available for use, it is the College's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Financial Statements

The fund financial statements provide information about the College's funds. The emphasis of fund financial statements is on major governmental funds, each is displayed in a separate column. All the remaining governmental funds are aggregated and reported in a single column as non-major funds.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

The modified accrual basis of accounting is used in all governmental fund types. Under the modified accrual basis of accounting, revenue is recognized when susceptible to accrual (when it is both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible with the current period or soon enough thereafter to be used to pay liabilities of the current period. A one year availability period is used for revenue recognition for all governmental fund revenue. Expenditures are recorded when the related fund liability is incurred.

The College reports the following major governmental funds:

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

BIA Operating Grant – The BIA operating grant fund accounts for the receipts and expenditures under Public Law 95-471, Title I of the Tribally Controlled College or University Assistance Act grant.

PELL Grant – The PELL Grant Fund accounts for the student financial aid provided by the Federal Pell Grant Program.

College Endowment Fund – The College Endowment Fund accounts for the receipts and expenditures of the BIA, Title III Endowments, and AICF Sii Ha Sin maintenance contract.

NSF Grant Fund – The NSF Grant Fund accounts for receipts and expenditures related to STEM education programming provided by the National Science Foundation grant.

LEECH LAKE TRIBAL COLLEGE, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

Title III Grant Fund – The Title III Grant Fund accounts for transactions related to the Title III grant receipts.

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

The College reports the following proprietary fund type:

Internal Service Fund – This fund accounts for the College's indirect costs charged to programs and indirect costs incurred by the College.

C. Capital Assets

Capital assets are recorded at historical cost. Contributed assets, including those from the federal government, are recorded at estimated fair value on the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Costs incurred for repairs and maintenance are expensed as incurred.

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

<u>Assets</u>	<u>Capitalization Threshold</u>	<u>Years</u>
Property and equipment	\$5,000	3-7
Buildings	\$5,000	35

D. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

E. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the College.

LEECH LAKE TRIBAL COLLEGE, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

F. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the balance sheet.

G. Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

H. Indirect Costs

Indirect costs represents recoverable overhead costs charged to grants and contracts and to the general fund for the administration of the special revenue funds and the general fund. The indirect cost rate is based on a fixed carryforward rate that is approved by the Office of Inspector General, Department of Health and Human Services. A rate of 25.9% was charged to applicable programs, based on all direct program costs less capital outlay and pass-through expenditures. This rate represents the revenue and general funds as indirect cost expenditures and as indirect cost recovery (revenue). For financial statement presentation, the indirect cost pool has been designated as an internal service fund.

I. Federal and State Income Taxes

Leech Lake Tribal College, Inc., as a not-for-profit entity under Section 501(c)(3) of the Internal Revenue Code, is exempt from Federal and State income taxes. As such, no income taxes have been provided for in the accompanying financial statements.

J. Inventories

Inventories are stated at the lower of cost or market, utilizing the first-in, first-out method.

K. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. The College expects the liability will be paid or used in the subsequent period. Accordingly, the liability has been recorded in the fund in which it is earned.

LEECH LAKE TRIBAL COLLEGE, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

L. Allowance for Uncollectible Receivables

The provision for doubtful accounts receivable is management's judgment of the amount necessary to increase the allowance for receivable losses to a level sufficient to cover possible losses in the collection of student accounts receivable. The allowance for uncollectible accounts receivable at June 30, 2010 was \$463,063.

M. Advertising

The College expenses advertising as incurred. Advertising costs were \$36,982 during fiscal year ended June 30, 2010.

2. Stewardship, Compliance, and Accountability

A. Excess of Expenditures Over Appropriations

The following funds incurred expenditures in excess of appropriations for the year ended June 30, 2010:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund	\$ 1,235,155	\$ 1,258,408	\$ (23,253)
Title III Fund	440,879	441,103	(224)

The excess expenditures were covered by available unbudgeted revenue.

3. Deposits and Investments

B. Deposits

Authority – In accordance with the Tribal College investment policy, the College maintains deposits at those depository banks authorized by the Board. All such depositories are members of the Federal Reserve System.

Custodial Credit Risk – The custodial risk for deposits is the risk that in the event of a bank failure, the College's deposits may not be recovered. The College's policy for custodial risk is to be protected by insurance, surety bond, or pledged collateral. The College did not have any custodial credit risk at June 30, 2010.

LEECH LAKE TRIBAL COLLEGE, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

C. Investments

Authority – The College has adopted an investment policy that allows the following investments:

1. **Equities** – common and preferred stock, convertible securities, and American depository receipts of foreign companies.
2. **Fixed Income Investments** – US government and agency securities, commercial paper, and corporate bonds.
3. **Cash and Equivalents** – commercial paper, repurchase agreements, Treasury bills, certificates of deposit, and money markets.

Custodial Credit Risk – The custodial credit risk for investments is the risk that in the event of failure of a counterparty, the College will not be able to recover the value of the investment of the collateral securities in the possession of the outside party.

The College has no custodial risk for investments at June 30, 2010.

At June 30, 2010, the College had all funds in depository accounts.

Restricted cash and investments consist of:

Amounts granted to the College by the Bureau of Indian Affairs, the Department of Education and the American Indian College Fund for their endowments and the interest received on those monies.	\$1,573,770
Amounts reserved for future claims for unemployment compensation.	20,876
	<u>\$1,594,646</u>

LEECH LAKE TRIBAL COLLEGE, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

4. Capital Assets

The following summarizes the activity of the Leech Lake Tribal College, Inc.'s capital assets for the year ended June 30, 2010.

	Beginning Balance 7/1/2009	Additions	Disposals	Ending Balance 6/30/2010
Governmental activities:				
Property and equipment	\$ 798,635	\$ 103,124	\$ -	\$ 901,759
Building	7,061,669	47,284	-	7,108,953
	<u>7,860,304</u>	<u>150,408</u>	-	<u>8,010,712</u>
Less accumulated depreciation for property and equipment	1,210,335	313,714	-	1,524,049
Government activity capital assets, net	<u>\$6,649,969</u>	<u>\$ (163,306)</u>	<u>\$ -</u>	<u>\$ 6,486,663</u>

Depreciation expense was charged to functions as follows:

Academic Support	\$ 98,786
Student Services	69,499
Institutional Support	68,488
Operation and Maintenance of Plant	76,941
	<u>\$ 313,714</u>

5. Long-Term Debt

Mortgage Note Payable with interest at 1% over Wall Street Prime. Rate of 8.5% at June 30, 2010. Payments are due in annual installments of \$74,230 through May 2019. The mortgage is secured by all assets except endowment funds, grant checking and equipment purchased with Title III funds. Balance at June 30, 2010 is \$415,578.

Mortgage Note Payable with a fixed rate of 7.25% adjusting to 3.25% over 3 year US Treasury Note rate beginning May 31, 2006 and adjusting every 3 years. Monthly payments of \$2,007 are due through November 10, 2011. The mortgage is secured by the construction improvements and fixtures owned, or will be owned in the future, relating to the College. Balance at June 30, 2010 is \$31,630.

LEECH LAKE TRIBAL COLLEGE, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

At June 30, 2010 the annual debt service requirements for the mortgages are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	61,240	\$ 37,079	\$ 98,319
2012	51,310	32,957	84,267
2013	45,478	28,752	74,230
2014	49,343	24,887	74,230
2015	53,538	20,692	74,230
2016-2020	186,299	33,227	219,526
	<u>\$ 447,208</u>	<u>\$ 177,594</u>	<u>\$ 624,802</u>

6. Economic Dependency

Leech Lake Tribal College, Inc. receives the majority of its operating revenue from various grants funded by the U.S. Government.

7. Risk Management

The Leech Lake Tribal College, Inc. faces a considerable number of risks of loss, including:

- A. Damage to and destruction and loss of property contents;
- B. Environmental damage;
- C. Workers' compensation (i.e., employee injuries);
- D. Tort actions; and
- E. Errors and omissions.

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

8. Retirement Plan

The College maintains a 403(b) plan for full-time employees, who are eligible to contribute to the plan immediately upon hire. The College contributes 4% of gross annual wages to the plan for each employee upon completion of a 90-day probationary period. Employees may also make a tax-deferred contribution up to 4% of gross annual wages. Contributions of \$72,722 were made on eligible salaries of \$1,818,063 for the year ended June 30, 2010.

9. Self-Insurance Program

The College participates in the Leech Lake Band of Ojibwe self-insurance programs including medical benefits, worker's compensation, and short-term disability.

LEECH LAKE TRIBAL COLLEGE, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

10. Interfund Balances

Amounts due to/from other funds as of June 30, 2010 are as follows:

		<u>Due from Other Funds</u>					<u>Total</u>
		<u>General Fund</u>	<u>PELL</u>	<u>NSF</u>	<u>Other Governmental Funds</u>	<u>Internal Service Fund</u>	
Due to Other Funds	Governmental Funds						
	General Fund	\$ -	\$ 1,338	\$ 155	\$ 12,176	\$ 257,831	\$ 271,500
	BIA Operating	1,136	-	-	-	-	1,136
	PELL	135,630	-	-	-	-	135,630
	Other Governmental Funds	35,988	-	-	-	-	35,988
		<u>\$ 172,754</u>	<u>\$ 1,338</u>	<u>\$ 155</u>	<u>\$ 12,176</u>	<u>\$ 257,831</u>	<u>\$ 444,254</u>

The amounts reported above are for operations and are all expected to be repaid within one year.

11. Interfund Transfers

A summary of interfund transfers follows:

		<u>Transfers In</u>			<u>Total</u>
		<u>College Endowment Fund</u>	<u>Other Governmental Funds</u>	<u>Internal Service Fund</u>	
Transfers Out	Governmental Funds				
	General Fund	\$ 2,824	\$ -	\$ 113,122	\$ 115,946
	BIA Operating	11,533	15,342	-	26,875
	Title III	45,000	-	-	45,000
	Other Governmental Funds	47,943	-	-	47,943
Total Governmental Funds		<u>\$ 107,300</u>	<u>\$ 15,342</u>	<u>\$ 113,122</u>	<u>\$ 235,764</u>

LEECH LAKE TRIBAL COLLEGE, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

12. Restricted Fund Balance

The College Endowment Fund has a restricted fund balance in the amount of \$1,573,770, which represents the principal portions of the BIA Endowment of \$515,552, the Department of Education Title III Endowment of \$900,000, the American Indian College Fund of \$139,196 and restricted earnings from the endowments of \$19,022.

The College has received donations and fundraising revenue restricted for scholarships and educational purposes. At June 30, 2010 the College has \$43,599 in funds restricted for scholarships or educational purposes.

LEECH LAKE TRIBAL COLLEGE, INC.
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED JUNE 30, 2010

	Budgeted Amounts - Original	Budgeted Amounts - Final	Actual	Variance with Budget Favorable (Unfavorable)
Resources				
Program Income	\$ 608,536	\$ 606,956	\$ 839,114	\$ 232,158
Book Sales	95,000	76,569	77,340	771
Donations	-	-	63,897	63,897
Investment Income	60,000	1,000	19,241	18,241
Miscellaneous	3,000	3,000	83	(2,917)
Transfers from Tribe	231,640	231,640	231,640	-
Amounts Available for Appropriation	<u>998,176</u>	<u>919,165</u>	<u>1,231,315</u>	<u>312,150</u>
Charges to Appropriations (Outflows)				
Instruction	441,883	441,883	415,141	26,742
Academic Support	64,952	64,952	58,928	6,024
Student Services	79,953	79,953	84,573	(4,620)
Institutional Support	170,532	170,532	323,006	(152,474)
Auxiliary Services	90,000	90,000	85,352	4,648
Indirect Costs	195,473	195,473	175,462	20,011
Transfers to College Endowment Fund	-	-	2,824	(2,824)
Transfers to Internal Service Fund	203,529	192,362	113,122	79,240
Total Charges to Appropriations	<u>1,246,322</u>	<u>1,235,155</u>	<u>1,258,408</u>	<u>(23,253)</u>
Resources Over (Under) Charges to Appropriations	<u><u>\$ (248,146)</u></u>	<u><u>\$ (315,990)</u></u>	<u><u>\$ (27,093)</u></u>	<u><u>\$ 288,897</u></u>

LEECH LAKE TRIBAL COLLEGE, INC.
BUDGETARY COMPARISON SCHEDULE - BIA OPERATING FUND
YEAR ENDED JUNE 30, 2010

	Budgeted Amounts - Original and Final	Actual	Variance with Budget Favorable (Unfavorable)
Resources			
Intergovernmental	\$ 1,571,552	\$ 727,116	\$ (844,436)
Charges to Appropriations (Outflows)			
Instruction	239,210	168,674	70,536
Academic Support	-	58,469	(58,469)
Student Services	64,472	59,960	4,512
Institutional Support	454,981	289,004	165,977
Operation and Maintenance Plant	-	157	(157)
Indirect Costs	171,030	123,977	47,053
Transfers to College Endowment Fund	18,000	11,533	6,467
Transfers to Other Funds	15,000	15,342	(342)
Total Charges to Appropriations	962,693	727,116	235,577
Resources Over (Under) Charges to Appropriations	\$ 608,859	\$ -	\$ (608,859)

LEECH LAKE TRIBAL COLLEGE, INC.
BUDGETARY COMPARISON SCHEDULE - NSF FUND
YEAR ENDED JUNE 30, 2010

	Budgeted Amounts - <u>Original and Final</u>	<u>Actual</u>	Variance with Budget Favorable (Unfavorable)
Resources			
Intergovernmental	\$ 533,704	\$ 487,042	\$ (46,662)
Charges to Appropriations (Outflows)			
Instruction	230,393	209,122	21,271
Academic Support	27,002	26,427	575
Student Services	93,963	83,573	10,390
Institutional Support	81,303	75,430	5,873
Indirect Costs	98,844	90,202	8,642
Capital Outlay	2,199	2,288	(89)
Total Charges to Appropriations	<u>533,704</u>	<u>487,042</u>	<u>46,662</u>
 Resources Over (Under) Charges to Appropriations	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>

LEECH LAKE TRIBAL COLLEGE, INC.
BUDGETARY COMPARISON SCHEDULE - TITLE III FUND
YEAR ENDED JUNE 30, 2010

	Budgeted Amounts - Original and Final	Actual	Variance with Budget Favorable (Unfavorable)
Resources			
Intergovernmental	\$ 440,879	\$ 441,103	\$ 224
Charges to Appropriations (Outflows)			
Student Services	38,753	34,766	3,987
Institutional Support	316,512	324,364	(7,852)
Operation and Maintenance Plant	34,954	31,190	3,764
Capital Outlay	5,660	5,783	(123)
Transfers to College Endowment Fund	45,000	45,000	-
Total Charges to Appropriations	440,879	441,103	(224)
 Resources Over (Under) Charges to Appropriations	 \$ -	 \$ -	 \$ -

LEECH LAKE TRIBAL COLLEGE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

Federal Grantor/Pass-Through Grantor/Program Title	CFDA	Pass-Through Identification Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Direct Programs:			
Tribal College Educational Equity Grants	10.221		\$ 105,164
Tribal Colleges Endowment Program	10.222		70,856
Tribal Colleges Research Grants - Wild Rice	10.227		23,582
Cooperative Extension Service	10.500		91,789
Community Facilities Loans and Grants	10.766		213,207
<u>Total U.S. Department of Agriculture</u>			<u>504,598</u>
 <u>U.S. Department of Education</u>			
Direct Programs:			
College Access Challenge Grant Program	84.378A		1,300
Federal Work Study	84.033		15,433
FSEOG	84.007		17,652
PELL	84.063		770,987
Higher Education Institutional Aid	84.031T		441,103
TRIO	84.042A		260,530
<u>Total U.S. Department of Education</u>			<u>1,507,005</u>
 <u>U.S. Department of Health and Human Services</u>			
Passed through the National Institute of Health:			
Diabetes, Digestive, and Kidney Diseases	93.847	DK064056-05	65,739
ARRA - NIH Recovery Act Research Support	93.701	3U01DK064056-07W1	28,262
<u>Total U.S. Department of Education</u>			<u>94,001</u>
 <u>U.S. Department of Interior</u>			
Direct Programs:			
TCCC	15.027		715,582
 <u>U.S. Department of Defense</u>			
Direct Programs:			
Basic, Applied, and Advanced Research in Science and Engineering	12.630		7,425
 <u>National Aeronautics and Space Administration</u>			
Passed through the University of Cincinnati:			
Aerospace Education Services Program	43.001	AIHEC CC#401-3	49,475
 <u>National Science Foundation</u>			
Direct Programs:			
NSF/TCUP Coop Agreement	47.076		487,042
			<u>\$ 3,365,128</u>

LEECH LAKE TRIBAL COLLEGE, INC.
NOTES TO SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

1. **Basis of Accounting**

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

2. **Subrecipients**

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

3. **Outstanding Federal Loans**

The College has no outstanding federal loan balances as of June 30, 2010.



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**REPORT ON COMPLIANCE BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS
 PERFORMED IN ACCORDANCE WITH THE *MINNESOTA LEGAL COMPLIANCE
 AUDIT GUIDE FOR LOCAL GOVERNMENT***

**Board of Trustees
 Leech Lake Tribal College, Inc.
 Cass Lake, Minnesota**

We have audited the financial statements of Leech Lake Tribal College, Inc., (the College), Cass Lake, Minnesota, as of and for the year ended June 30, 2010, and have issued our report thereon dated March 30, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Government*, promulgated by the State Auditor pursuant to Minn. Stat. 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

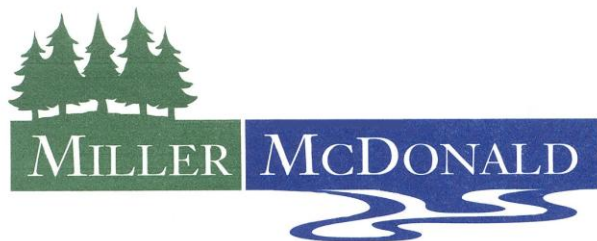
The *Minnesota Legal Compliance Audit Guide for Local Government*, as it relates to an Indian tribal government, covers one category of compliance to be tested: deposits and investments. Our study included this category.

The results of our tests indicate that for the item tested, the College complied with the material terms and conditions of applicable legal provisions.

This report is intended solely for the information and use of the Board of Trustees, management of the Leech Lake Tribal College, Inc., and other appropriate federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

Miller McDonald, Inc.

**March 30, 2011
 Bemidji, Minnesota**



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**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***

**Board of Trustees
 Leech Lake Tribal College, Inc.
 Cass Lake, Minnesota**

We have audited the financial statements of the Leech Lake Tribal College, Inc., (the College), Cass Lake, Minnesota, as of and for the year ended June 30, 2010, and have issued our report thereon dated March 30, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting; 07-1. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Leech Lake Tribal College, Inc., in a separate letter dated March 30, 2011.

The College's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit College's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Trustees, management of the Leech Lake Tribal College, Inc., federal awarding agencies and pass-through agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

Miller McDonald, Inc.

March 30, 2011
Bemidji, Minnesota



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

Board of Trustees
 Leech Lake Tribal College, Inc.
 Cass Lake, Minnesota

Compliance

We have audited the compliance of the Leech Lake Tribal College, Inc. (the College), Cass Lake, Minnesota with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. The College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the college's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

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

In our opinion, the Leech Lake Tribal College, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of Leech Lake Tribal College, Inc., is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the College's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Trustees, management of the Leech Lake Tribal College, Inc., federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Miller McDonald, Inc.

March 30, 2011
Bemidji, Minnesota

LEECH LAKE TRIBAL COLLEGE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

1. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

Yes No

Significant deficiencies identified that are not considered to be material weaknesses?

Yes None Reported

Noncompliance material to financial statements noted?

Yes No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

Yes No

Significant deficiencies identified that are not considered to be material weaknesses?

Yes None Reported

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

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

Yes No

Identification of Major Programs

<u>CFDA Number(s)</u>	<u>Federal Program or Cluster</u>
47.076	NSF/TCUP Cooperative Agreement
84.007	Federal Supplemental Educational Opportunity Grants
84.033	Federal Work-Study Program
84.063	Federal Pell Grant Program
15.027	Assistance to Tribally Controlled Community Colleges

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

Yes No

Instances where results of audit follow-up procedures disclosed that the summary schedule of prior audit findings materially misrepresents the status of any prior audit finding?

Yes No

LEECH LAKE TRIBAL COLLEGE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

2. **Findings Related to Financial Statements Audited in Accordance with Government Auditing Standards**

Items Arising This Year

None

Previously Reported Items Not Resolved During the Year

07-1) Financial Statement Preparation

Condition: Leech Lake Tribal College, Inc.'s Auditor prepares the financial statements. This is not unusual in colleges the size of Leech Lake Tribal College, Inc.; however, Leech Lake Tribal College, Inc.'s management and governance personnel should be aware that even though they assume responsibility for the financial statements the fact that the Auditor has prepared the financial statements indicates a significant deficiency by management.

Criteria: The College should have controls in place to prevent or detect a material misstatement in the annual financial statements including footnote disclosures.

Effect: The impact on the financial statements is that the potential exists that a material misstatement could exist in the financial statements.

Cause: The College has not adopted an internal control policy over the annual financial reporting under generally accepted accounting principles (GAAP), however, management has reviewed and approved the annual financial statements as prepared by the audit firm.

Recommendation: We recommend that management become knowledgeable in financial statement preparation so that management can prepare the financial statements for audit purposes. If management does not feel that it desires to obtain this knowledge and expertise then it should consider contracting with a third party accountant that would prepare year end adjusting entries to the financial records and also prepare the financial statements for audit purposes.

Management's Response: Management's Response: Management will become knowledgeable in financial preparation and will prepare its financial statements for audit purposes. If unable to attain this goal before the next audit period begins, management will contract with a third party accountant that will prepare year end adjusting entries to the financial records and who will also prepare the financial statements for audit purposes.

LEECH LAKE TRIBAL COLLEGE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Previously Reported Items Resolved During the Year

09-1) Segregation of Accounting Duties

Condition: One basic objective of internal control is to provide for segregation of incompatible duties. In other words, responsibilities should be separated among employees so that a single employee is not able to authorize a transaction, record the transaction in accounts, and be responsible for the custody of the asset resulting from the transaction. General journal entries are made by the Senior Accountant without an approval process. The journal entries are not reviewed or approved by another employee.

Current Status: The CFO is approving journal entries made by the Senior Accountant.

3. Findings and Questioned Costs for Federal Award Programs

Internal Control Findings

None

Compliance Findings

Items Arising This Year

None

Previously Reported Items Resolved During the Year

09-2) Eligibility (CFDA No. 84.063 – PELL)

Condition: The College awarded PELL funds to five students who had not registered for Selective Service. The College did not follow-up or document the reasoning for awarding the funds to the students.

Current Status: The College follows-up on applications without Selective Service information on-line at the Selective Service Online Registration Verification website prior to awarding funds to the student.

Questioned Costs

None

Chief Financial Officer, Leech Lake Tribal College

Date