

**TRIBAL LAND ENTERPRISE
(A Component Unit of the Rosebud Sioux Tribe)**

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORTS**

YEARS ENDED SEPTEMBER 30, 2012 and 2011

**BLAND & ASSOCIATES, P.C.
Certified Public Accountants**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Tribal Land Enterprise
Rosebud, South Dakota

We have audited the accompanying statements of net assets of Tribal Land Enterprise (TLE), a component unit of the Rosebud Sioux Tribe, as of and for the years ended September 30, 2012 and 2011 and the related statements of revenues and expenses, changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of TLE's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

Land, under the management of TLE, is reported in the accompanying statements of net assets, in the amounts of \$70,864,227 and \$62,498,485, at September 30, 2012 and 2011, respectively. As of September 30, 2012 and 2011, respectively, \$29,393,028 and \$22,088,739 of the land is valued at historical cost as prescribed by accounting principles generally accepted in the United States of America, however, the balance, (\$41,471,199) and (\$40,409,746) is valued using the sale, purchase or exchange of certificates of interest, valued and re-valued periodically, which may or may not represent market value or cost of the land at the time of acquisition. Accordingly, we are unable to satisfy ourselves that land and the related net assets are fairly presented in accordance with accounting principles generally accepted in the United States of America.

As discussed in Note A, the financial statements present only TLE, and do not purport to, and do not present fairly the financial position of the Rosebud Sioux Tribe as of September 30, 2012 and 2011, and the changes in its financial position and cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, except for the effects of the matter discussed in the third paragraph above, the financial statements referred to in the first paragraph above present fairly, in all material respects, the financial position of TLE as of September 30, 2012 and 2011, and the respective changes in its financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS REPORT (Continued)

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2013 on our consideration of TLE's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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 audits.

TLE has not presented management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

BLAND & ASSOCIATES, P.C.

Omaha, Nebraska
June 3, 2013

TRIBAL LAND ENTERPRISE
(Component Unit of the Rosebud Sioux Tribe)
STATEMENTS OF NET ASSETS

ASSETS	September 30,	
	2012	2011
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 2,590,249	\$ 4,774,861
Accounts Receivable	398,461	256,494
Due From Agency	1,427,051	979,152
Due From Related Parties	35,536	36,937
Other Assets	15,804	209,460
Earnest Deposit	900,000	-
Total Current Assets	5,367,101	6,256,904
NONCURRENT ASSETS		
Capital Assets, Net of Accumulated Depreciation	71,764,403	63,462,599
Intangible Assets, Net of Accumulated Amortization	10,495	4,245
Total Noncurrent Assets	71,774,898	63,466,844
	\$ 77,141,999	\$ 69,723,748
LIABILITIES AND NET ASSETS	September 30,	
	2012	2011
CURRENT LIABILITIES		
Accounts Payable	\$ 18,179	\$ 12,797
Current Maturities of Long-Term Debt	617,827	438,962
Assignments Payable	291,917	35,678
Accrued Expenses	47,536	21,944
Accrued Interest	134,055	55,196
Deferred Revenue	2,520	2,520
Dividends Payable	115,318	614,310
Total Current Liabilities	1,227,352	1,181,407
LONG-TERM LIABILITIES		
Long-Term Debt, Less Current Maturities	7,912,913	4,449,463
Deferred Interest Payable	184,303	224,058
Total Long-Term Liabilities	8,097,216	4,673,521
Total Liabilities	9,324,568	5,854,928
COMMITMENTS AND CONTINGENCIES	-	-
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	63,233,663	58,574,174
Restricted:		
TLE Certificates, \$1 Base Value, 1,246,811 and 1,274,236 Certificates		
Authorized; Issued, and Outstanding, Respectively	1,246,811	1,274,236
Unrestricted:		
Additional Paid-in Capital	639,117	662,144
Operations	2,697,840	3,358,266
Total Net Assets	67,817,431	63,868,820
	\$ 77,141,999	\$ 69,723,748

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

TRIBAL LAND ENTERPRISE
(Component Unit of the Rosebud Sioux Tribe)
STATEMENTS OF REVENUES AND EXPENSES

	Years Ended September 30,	
	2012	2011
REVENUES		
Land Leases	\$ 6,025,943	\$ 4,853,923
Irrigation System Leases	279,345	372,385
Fines, Crop, and Hay Sales	44,707	151,350
Miscellaneous	243,092	150,727
Bear Butte Lodge	11,303	6,262
Total Revenues	<u>6,604,390</u>	<u>5,534,647</u>
COST OF REVENUES		
Salaries and Payroll Taxes	748,138	617,460
Equipment Expense and Maintenance	65,830	70,540
Mustang Meadows Costs	51,506	69,567
Irrigation Expense	-	40,860
Bear Butte Lodge Costs	29,222	29,375
Farm Management Expense	-	21,077
Total Cost of Revenues	<u>894,696</u>	<u>848,879</u>
Gross Profit	5,709,694	4,685,768
GENERAL AND ADMINISTRATIVE EXPENSES		
Professional Services	164,190	253,777
Depreciation and Amortization	93,944	100,260
Real Estate Taxes	60,951	36,820
Telephone, Fax, Utilities, Insurance, and Postage	59,265	61,336
Miscellaneous	58,875	67,143
Rentals, Leasing, and Vehicle Expenses	55,455	46,283
Office and Computer Supplies	27,783	25,288
Board of Directors Expenses	13,972	15,714
Advertising	12,318	10,572
Staff Travel and Training	7,647	11,890
Total General and Administrative Expenses	<u>554,400</u>	<u>629,083</u>
Operating Income	5,155,294	4,056,685
OTHER INCOME (EXPENSE)		
Interest Income	704	5,181
Interest Expense	(451,474)	(415,223)
Insurance Claim Proceeds	26,797	-
Loss on Disposal of Capital Assets	-	(1,372)
Total Other Income (Expense)	<u>(423,973)</u>	<u>(411,414)</u>
CHANGE IN NET ASSETS	<u><u>\$ 4,731,321</u></u>	<u><u>\$ 3,645,271</u></u>

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

TRIBAL LAND ENTERPRISE
(Component Unit of the Rosebud Sioux Tribe)
STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011

	Invested in Capital Assets, Net of Related Debt	Restricted Net Assets Certificates of Interest	Unrestricted Net Assets Additional Paid-in Capital	From Operations	Total
NET ASSETS, October 1, 2010	\$ 56,333,728	\$ 1,268,487	\$ 600,967	\$ 2,416,788	\$ 60,619,970
New certificates issued for land at base value	23,022	-	-	-	23,022
Issuance of 34,811 shares of existing certificates	-	34,811	232,459	-	267,270
Redemption of 29,062 shares of existing certificates	-	(29,062)	(171,282)	-	(200,344)
Change In Net Assets	-	-	-	3,645,271	3,645,271
Change In Invested In Capital Assets, Net of Related Debt	2,217,424	-	-	(2,217,424)	-
Dividends Declared	-	-	-	(486,369)	(486,369)
NET ASSETS, September 30, 2011	58,574,174	1,274,236	662,144	3,358,266	63,868,820
Issuance of 3,765 shares of existing certificates	-	3,765	161,208	-	164,973
Redemption of 31,190 shares of existing certificates	-	(31,190)	(184,235)	-	(215,425)
Change In Net Assets	-	-	-	4,731,321	4,731,321
Change In Invested In Capital Assets, Net of Related Debt	4,659,489	-	-	(4,659,489)	-
Dividends Declared	-	-	-	(732,258)	(732,258)
NET ASSETS, September 30, 2012	\$ 63,233,663	\$ 1,246,811	\$ 639,117	\$ 2,697,840	\$ 67,817,431

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

TRIBAL LAND ENTERPRISE
(Component Unit of the Rosebud Sioux Tribe)
STATEMENTS OF CASH FLOWS

	Years Ended September 30,	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 6,014,524	\$ 5,976,330
Cash Paid to Suppliers for Goods and Services	(1,024,744)	(952,211)
Cash Paid to Employees	(748,138)	(617,460)
Net Cash Provided By Operating Activities	<u>4,241,642</u>	<u>4,406,659</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Receipts from Individuals for Certificates Purchased	164,973	267,270
Cash Paid to Individuals for Certificates Redeemed	(215,425)	(200,344)
Dividends Paid	(1,231,250)	(2,169)
Net Cash (Used In) Provided By Noncapital Financing Activities	<u>(1,281,702)</u>	<u>64,757</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of Capital Assets	(3,891,998)	(1,386,610)
Insurance Proceeds Received	26,797	-
Payments on Long-Term Debt	(867,685)	(927,913)
Interest Paid	(412,370)	(544,583)
Net Cash Used In Capital and Related Financing Activities	<u>(5,145,256)</u>	<u>(2,859,106)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Income	704	5,181
Net Cash Provided By Investing Activities	<u>704</u>	<u>5,181</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(2,184,612)	1,617,491
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>4,774,861</u>	<u>3,157,370</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 2,590,249</u>	<u>\$ 4,774,861</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	\$ 5,155,294	\$ 4,056,685
Adjustment to Reconcile Operating Income to Net Cash Provided By Operating Activities:		
Depreciation and Amortization	93,944	100,260
(Increase) Decrease in Current Assets:		
Accounts Receivable	(447,899)	101,034
Due from Agency	(141,967)	340,649
Due From Related Parties	1,401	4,499
Other Assets	193,656	(200,279)
Earnest Money Deposit	(900,000)	-
Increase (Decrease) in Current Liabilities:		
Accounts Payable	261,621	(6,637)
Accrued Expenses	25,592	10,448
Net Cash Provided By Operating Activities	<u>\$ 4,241,642</u>	<u>\$ 4,406,659</u>
NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Certificates Issued for Land at \$1 Base Value	\$ -	\$ 23,022
Net Book Value of Equipment Disposed	\$ -	\$ 1,372
Land Purchased Through Issuance of Long-Term Debt	<u>\$ 4,510,000</u>	<u>\$ -</u>

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

TRIBAL LAND ENTERPRISE
(Component Unit of the Rosebud Sioux Tribe)
NOTES TO FINANCIAL STATEMENTS
Years Ended September 30, 2012 and 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Tribal Land Enterprise (TLE) is presented to assist in understanding TLE's financial statements. The financial statements and notes are representations of TLE's management who are responsible for their integrity and objectivity. These accounting policies have been consistently applied in the preparation of the financial statements.

Reporting Entity and Nature of Operations

Tribal Land Enterprise is a component unit of the Rosebud Sioux Tribe as defined in the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*. TLE has no component units included in its financial statements. TLE is governed by a seven member Board of Directors as authorized by its bylaws. Three Board Members are appointed by the Rosebud Sioux Tribe, three members are elected by the TLE shareholders, and the Chairman of the Rosebud Sioux Tribe is automatically a member of the Board of Directors of TLE.

Membership of TLE consists of the following: the Rosebud Sioux Tribe is considered a member by virtue of the Tribal lands it has placed under the operation and management of TLE. Certain individual members of the Rosebud Sioux Tribe are members of TLE either by virtue of having conveyed land, or interests in land, held in trust by the United States of America, in exchange for certificates of interest in TLE, or by coming into ownership of such certificates through purchases or inheritance. TLE is intended to be a self-sufficient enterprise and the financial statements include only the accounts and transactions of TLE.

TLE has the following purposes and objectives:

1. To affect a plan to remedy the situation of increasing fractionation of ownership interest in allotted lands resulting from probate procedures.
2. To provide a plan to consolidate individual ownership interests in restricted land in furtherance of economic enterprises.
3. To develop a land management plan of the economic interests of members of the Rosebud Sioux Tribe who participate in this plan.
4. To provide for the preservation and safeguarding of the values of individual ownership equities in land.
5. To provide a simplified process by which an individual may exchange his or her land holdings for areas adapted to their ambitions for economic enterprise through the flexible use of certificates of interest.

TRIBAL LAND ENTERPRISE
(Component Unit of the Rosebud Sioux Tribe)
NOTES TO FINANCIAL STATEMENTS (Continued)
Years Ended September 30, 2012 and 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting Entity and Nature of Operations (Continued)

6. To utilize lands under the control of the Tribe for the development of economic enterprises within the various communities of Native Americans on the reservation.
7. To provide for an adequate system of keeping records and of accounting in connection with the operation and management of this plan.
8. To provide a long-term, land-buying program, which would benefit members of the Tribe.

Basis of Presentation

The financial statements of TLE have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units that use proprietary fund accounting. The GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

All GASB pronouncements are applied, as well as Financial Accounting Standards Board (FASB) pronouncements issued subsequent to November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

The accompanying financial statements have been prepared in accordance with the reporting model defined by GASB Statement No. 34, *Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. In addition, GASB Statement No. 37, *Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus* and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, are also applicable in conjunction with GASB Statement No. 34.

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The total economic resources measurement focus and accrual method of accounting are used in the preparation of the accompanying statements.

Cash and Cash Equivalents

For financial reporting purposes, cash and cash equivalents include cash on hand and on deposit with financial institutions and financial instruments with original maturities of 90 days or less.

TRIBAL LAND ENTERPRISE
(Component Unit of the Rosebud Sioux Tribe)
NOTES TO FINANCIAL STATEMENTS (Continued)
Years Ended September 30, 2012 and 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

TLE extends credit to the lessees that lease lands from TLE without interest. Credit rating reports are not reviewed and there are no credit limits established for these customers. Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history of its customers with outstanding balances, losses on unpaid balances, if any, at year-end would be immaterial; as such no allowance for doubtful accounts is considered necessary.

Capital Assets

Capital assets include land and depreciable assets such as buildings, improvements, vehicles, office furniture, and equipment. With the exception of certain land, as discussed in the next paragraph, capital assets are recorded at cost with a capitalization threshold of \$1,000. Depreciation is computed using the straight-line method based on the estimated useful lives of the related assets ranging from 3 to 25 years. Maintenance, repairs, and renewals, which neither materially add to the value of the asset nor appreciably prolong its life, are charged to expense as incurred.

As noted in the auditors' report, certain land and net assets under management of TLE have been recorded in the accompanying statements of net assets at the base value of \$1 for each certificate redeemed. Land should be recorded at cost to conform with accounting principles generally accepted in the United States of America.

Compensated Absences

It is TLE's policy to permit full-time employees to accrue paid time off. Employees can carryover 160 hours of paid time off to the next fiscal year. All accumulated paid time off is recorded as an expense and an accrued liability at the time the benefit is earned.

Net Assets

Invested in capital assets, net of related debt – This component of net assets consists of capital assets, net of accumulated depreciation and related debt.

Restricted net assets – This component represents the base value of \$1 of the certificates of interest, authorized, issued, and outstanding.

Unrestricted net assets, additional paid-in capital – This component represents the excess value of the certificates of interest over the \$1 value of the certificates of interest-issued, authorized, and outstanding.

TRIBAL LAND ENTERPRISE
(Component Unit of the Rosebud Sioux Tribe)
NOTES TO FINANCIAL STATEMENTS (Continued)
Years Ended September 30, 2012 and 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

Unrestricted net assets, operations – This component of net assets consists of net assets not meeting the definition of “invested in capital assets, net of related debt,” or “unrestricted net assets, additional paid-in capital.”

Certificates of Interest

Beginning in 1994, land and related certificate values were established utilizing an index derived from the change in land values in South Dakota as reported by the Economic Research Service (ERS) of the United States Department of Agriculture (USDA) annual publication *Agricultural Resources and Environmental Indicators*. In 1995 the Board of Directors were concerned that a significant devaluation of the certificate might have an adverse economic impact on TLE and thereby froze the value of the certificate at its 1994 value of \$11.37. During 1996, the Board devalued the certificate to \$9.97, which is approximately one-half of the difference between \$11.37 and the amount that would have resulted using the revised ERS data. In recognition of Section 28 of the bylaws, the Board of Directors approved an increase in the value of the certificates of interest from \$37.58 to \$40.74 during the year ended September 30, 2011 and \$40.74 has remained the board approved value for the year ended September 30, 2012.

Revenue Recognition

Substantially all of TLE's revenue is derived from leasing land under its jurisdiction for grazing and farming. The leases (or permits, in the case of range units) typically begin either March 1 or November 1 of each year. The term of the leases is up to five years and the lease payments are made at the beginning of the lease term and annually thereafter. Lease revenue is recognized on a straight-line basis over the lease term. Payments received in advance of the due date are considered deferred revenue and are not recognized as revenue until the appropriate due date.

Operating Revenue and Expenses

Generally, operating activities consist of managing and leasing land in the name of TLE and does not include financing, investing, or any non-operating activities such as interest income and interest expense.

Income Taxes

As a Tribal component unit, TLE is not subject to either federal or state income taxes. Accordingly, no provision for income tax expense or liability has been reflected in the accompanying financial statements.

TRIBAL LAND ENTERPRISE
(Component Unit of the Rosebud Sioux Tribe)
NOTES TO FINANCIAL STATEMENTS (Continued)
Years Ended September 30, 2012 and 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Fair Value of Financial Instruments

The fair value of financial instruments such as cash, accounts receivable, and payables, do not differ materially from the aggregate carrying values reflected in the accompanying statements of net assets.

Budgetary Information

TLE is not legally required to adopt an annual budget.

Subsequent Events

Management has evaluated subsequent events through June 3, 2013, which is the date the financial statements were available to be issued.

NOTE B – CASH AND INVESTMENTS

The balance of TLE's deposits with financial and governmental institutions as of September 30, 2012 and September 30, 2011 amounted to \$2,631,333 and \$5,018,255 respectively.

Investments consist of U.S. Treasury overnight accounts and are presented in the financial statements at fair market value. The deposits are categorized below by the level of credit risk. Category 1 includes investments fully insured or collateralized with securities held by a financial institution in the Housing Authority's name. Category 2 includes collateralized investments with securities held in the name of the financial institutions' trust department or agent for the Housing Authority. Category 3 is uncollateralized investments.

	1	2	3	Carrying Amount	Market Value
Checking accounts	\$ 2,558,546	\$ -	\$ -	\$ 2,558,546	\$ 2,558,546
Savings accounts	5,022	-	-	5,022	5,022
U.S. Treasury accounts	67,765	-	-	67,765	67,765
	<u>\$ 2,631,333</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,631,333</u>	<u>\$ 2,631,333</u>

TRIBAL LAND ENTERPRISE
(Component Unit of the Rosebud Sioux Tribe)
NOTES TO FINANCIAL STATEMENTS (Continued)
Years Ended September 30, 2012 and 2011

NOTE C – DUE FROM RELATED PARTIES

Current employees and former TLE Board Members have outstanding advances totaling \$35,536 and \$36,937 at September 30, 2012 and 2011, respectively.

NOTE D – CAPITAL ASSETS

A summary of changes in capital assets follows for the year ended September 30, 2012:

	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets not depreciated:				
Land	\$ 62,498,485	\$ 8,365,742	\$ -	\$ 70,864,227
Capital assets depreciated:				
Buildings and improvements	1,410,978	21,774	-	1,432,752
Office furniture and equipment	149,183	4,482	-	153,665
Vehicles	106,521	-	-	106,521
	64,165,167	8,391,998	-	72,557,165
Less accumulated depreciation	(702,568)	(90,194)	-	(792,762)
Total capital assets	<u>\$ 63,462,599</u>	<u>\$ 8,301,804</u>	<u>\$ -</u>	<u>\$ 71,764,403</u>

A summary of changes in capital assets follows for the year ended September 30, 2011:

	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets not depreciated:				
Land	\$ 61,299,240	\$ 1,199,245	\$ -	\$ 62,498,485
Capital assets depreciated:				
Buildings and improvements	1,242,248	168,730	-	1,410,978
Office furniture and equipment	134,681	14,502	-	149,183
Vehicles	89,904	27,155	(10,538)	106,521
	62,766,073	1,409,632	(10,358)	64,165,167
Less accumulated depreciation	(616,007)	(95,727)	9,166	(702,568)
Total capital assets	<u>\$ 62,150,066</u>	<u>\$ 1,313,905</u>	<u>\$ (1,372)</u>	<u>\$ 63,462,599</u>

TRIBAL LAND ENTERPRISE
(Component Unit of the Rosebud Sioux Tribe)
NOTES TO FINANCIAL STATEMENTS (Continued)
Years Ended September 30, 2012 and 2011

NOTE D – CAPITAL ASSETS (Continued)

A summary of land is as follows for the years ended September 30,:

	2012	2011
Land acquired with cash	\$ 29,393,028	\$ 22,088,739
Land acquired with certificates of interest - base value	2,736,348	2,736,348
Allocation of excess of calculated value of land over cost represented by TLE certificates of interest	3,626,799	3,626,799
Land acquired with redemption of certificates - excess of market value over base value	24,970,420	23,908,967
Balance of excess of calculated value of land over recorded cost	10,137,632	10,137,632
Total Land	<u>\$ 70,864,227</u>	<u>\$ 62,498,485</u>

NOTE E – INTANGIBLE ASSETS

TLE has recorded \$10,000 of loan costs relating to the purchase of the Ring Neck Ranch. As of September 30, 2012 and 2011, the cost net of accumulated amortization is \$2,245 and \$4,425, respectively. Amortization is computed using the straight-line method based on the estimated useful life of the intangible asset of 5 years.

TLE has recorded \$10,000 loan costs relating to the purchase of the Hardgrass Ranch on November 22, 2011. As of September 30, 2012, the cost net of accumulated amortization is \$8,250. Amortization is computed using the straight-line method based on the estimated useful life of the intangible asset of 5 years.

The following table represents the total estimated amortization of intangible assets for the five succeeding years:

<u>For the Year Ending September 30,</u>	
2013	\$ 4,000
2014	2,250
2015	2,000
2016	2,000
2017	245
	<u>\$ 10,495</u>

TRIBAL LAND ENTERPRISE
(Component Unit of the Rosebud Sioux Tribe)
NOTES TO FINANCIAL STATEMENTS (Continued)
Years Ended September 30, 2012 and 2011

NOTE F – DEFERRED REVENUE

TLE reports cash collected for leases pending formal approval from the Bureau of Indian Affairs as deferred revenue. These collections are advance payments on leases and are not considered earned revenue until the lease is formally approved. Deferred revenue is \$2,520 at September 30, 2012 and 2011, respectively.

NOTE G – LONG-TERM DEBT

Long-term debt activity and detail are as follows for the year ended September 30,:

	2012	2011
Various notes to USDA Farmers Home Administration; collateralized by assignment of lease income or with mortgaged land purchased with the loan proceeds. (1)		
Note dated September 17, 1975, due in 2015 plus a balloon payment of \$24,846; with an original principal balance of \$1,000,000, payable in annual payments of \$58,760, including interest at 5%. (1)	\$ 29,157	\$ 85,253
Note dated September 22, 1977, due in 2017 plus a balloon payment of \$29,972; with an original principal balance of \$2,100,000, payable in annual payments of \$123,417, including interest at 5%. (1)	76,340	493,610
Note dated July 11, 1978, due in 2018 plus a balloon payment of \$9,429; with an original principal balance of \$900,000, payable in annual payments of \$52,893, including interest at 5%. (1)	218,063	259,907
Note dated November 6, 1980, due in 2020; with an original principal balance of \$3,000,000, payable in annual payments of \$227,400, including interest at 7%. (1) Paid in full.	-	10
Bank note dated December 18, 2006, due in 2013; with an original principal balance of \$4,649,080, payable in semi-annual payments ranging from \$267,749 to \$229,204, including variable interest which at September 30, 2010 was 5.25%. This note is collateralized by the Ringneck Ranch and Taylor Ranch.	3,803,490	4,049,645
Bank note dated November 18, 2011, due in 2016; with an original principal balance of \$4,510,000, payable in semi-annual payments of \$215,477, including interest at 5%. This note is collateralized by the Ringneck Ranch.	4,403,690	-
Total long-term debt	8,530,740	4,888,425
Less current maturities	(617,827)	(438,962)
Long-term debt maturities	\$ 7,912,913	\$ 4,449,463

TRIBAL LAND ENTERPRISE
(Component Unit of the Rosebud Sioux Tribe)
NOTES TO FINANCIAL STATEMENTS (Continued)
Years Ended September 30, 2012 and 2011

NOTE G – LONG-TERM DEBT (Continued)

Transactions for the years ended September 30, 2012 and 2011 are summarized as follows:

	October 1, 2011	Proceeds	Repayments	September 30, 2012
5% note due in 2015	\$ 85,253	\$ -	\$ (56,096)	\$ 29,157
5% note due in 2017	493,610	-	(417,270)	76,340
5% note due in 2018	259,907	-	(41,844)	218,063
7% note due in 2020	10	-	(10)	-
5.25% note due in 2013	4,049,645	-	(246,155)	3,803,490
5% note due in 2016	-	4,510,000	(106,310)	4,403,690
	<u>\$4,888,425</u>	<u>\$ 4,510,000</u>	<u>\$ (867,685)</u>	<u>\$ 8,530,740</u>

	October 1, 2010	Proceeds	Repayments	September 30, 2011
5% note due in 2011	\$ 44,715	\$ -	\$ (44,715)	\$ -
5% note due in 2015	191,540	-	(106,287)	85,253
5% note due in 2017	693,012	-	(199,402)	493,610
5% note due in 2018	341,700	-	(81,793)	259,907
7% note due in 2020	261,990	-	(261,980)	10
5.25% note due in 2013	4,283,381	-	(233,736)	4,049,645
	<u>\$5,816,338</u>	<u>\$ -</u>	<u>\$ (927,913)</u>	<u>\$ 4,888,425</u>

Future minimum principal and interest payments under these notes payable as of September 30, 2012, are as follows:

Years Ending September 30,	Principal	Interest	Total
2013	\$ 617,827	\$ 435,934	\$ 1,053,761
2014	3,808,635	297,726	4,106,361
2015	278,740	205,107	483,847
2016	3,788,458	191,362	3,979,820
2017	37,080	1,854	38,934
	<u>\$ 8,530,740</u>	<u>\$ 1,131,983</u>	<u>\$ 9,662,723</u>

TRIBAL LAND ENTERPRISE
(Component Unit of the Rosebud Sioux Tribe)
NOTES TO FINANCIAL STATEMENTS (Continued)
Years Ended September 30, 2012 and 2011

NOTE G – LONG-TERM DEBT (Continued)

Deferred Principal and Interest on Long-Term Debt, Note (1)

In an agreement with the USDA, the USDA notes payable identified above have had their January 1, 1998, principal and interest deferred until maturity. Deferred principal payments totaled \$64,249 and \$64,249 in 2012 and 2011, respectively, and are included in the principal balance. The deferred interest is a long-term zero-interest bearing note that has an imputed interest rate between 5% and 7%. Deferred interest is amortized based upon its present value to be paid upon maturity of the note. Deferred interest payments totaled \$184,303 and \$224,058 at September 30, 2012 and 2011, respectively. The financial statements reflect the amount of deferred principal and interest as long-term liabilities.

NOTE H – CERTIFICATES OF INTEREST

TLE is authorized to issue certificates of interest in the name of Tribal Land Enterprise, Class "A" and Class "B", in accordance with the following provisions:

1. There shall be issued to the Rosebud Sioux Tribe, Class "A" certificates of interest in TLE for the appraised value of land, the management and operation which is assigned by the Rosebud Sioux Tribe to TLE.
2. For land or interests in land conveyed by individual members of the Tribe to the United States of America in trust for the Rosebud Sioux Tribe, there shall be issued Class "A" certificates of interest in TLE to said individual for the appraised value of such land or interest in land.
3. In the conveyance of land under the provisions of these Bylaws, TLE may accept interests in land of Indian non-members of the Rosebud Sioux Tribe for which Class "B" certificates of interest in TLE may be issued for the appraised value thereof.
4. In the transfer of Class "A" certificates of interest to non-members of the Rosebud Sioux Tribe through probate, or purchase, such interests shall be converted to Class "B" certificates of interest.
5. Class "B" certificates of interest shall be entitled to participate in the net earnings on the same basis as Class "A" certificates of interest, but shall not entitle the holder thereof to membership in TLE nor the right to vote such interests.
6. Class "B" certificates of interest shall be subjected to liquidation or redemption through purchase by TLE at the discretion or upon demand of the Board of Directors of TLE.

TRIBAL LAND ENTERPRISE
(Component Unit of the Rosebud Sioux Tribe)
NOTES TO FINANCIAL STATEMENTS (Continued)
Years Ended September 30, 2012 and 2011

NOTE H – CERTIFICATES OF INTEREST (Continued)

In addition, TLE may issue shares for cash to the extent such shares were previously redeemed from Tribal members.

At September 30, certificates authorized, issued, and outstanding are:

	2012	2011
Rosebud Sioux Tribe – Class A Certificates	1,166,253	1,166,253
Class A Certificates	14,118	35,831
Class B Certificates	7,129	12,857
Probate Class A and Class B Certificates	59,311	59,295
	<u>1,246,811</u>	<u>1,274,236</u>

NOTE I – LEASE REVENUES UNDER OPERATING LEASES

The following is a schedule of future minimum rentals on noncancelable leases as of September 30, 2012:

<u>Years Ending September 30,</u>	
2013	\$ 5,486,762
2014	3,608,879
2015	3,101,260
2016	2,835,469
2017	1,492,790
Thereafter	1,128,192
Total future minimum rentals	<u>\$ 17,653,352</u>

NOTE J – RISK MANAGEMENT

TLE is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. TLE covers these risks by purchasing commercial insurance. There has been no significant reduction in insurance coverage during the years ended September 30, 2012 and 2011 and no claims have exceeded insurance coverage in any of the previous five years.

NOTE K – SUBSEQUENT EVENTS

On December 18, 2012, TLE purchased the Krogman and Plooster land, which consists of approximately 4,339 acres. The purchase was financed with a \$6,014,707 real estate term loan maturing on December 30, 2017.

**INDEPENDENT AUDITORS' 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***

**INDEPENDENT AUDITORS' 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 Directors
Tribal Land Enterprise
Rosebud, South Dakota

We have audited the financial statements of Tribal Land Enterprise (TLE), a component unit of the Rosebud Sioux Tribe, as of and for the year ended September 30, 2012, and have issued our report thereon dated June 3, 2013. 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 TLE's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of TLE's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of TLE's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

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. We consider the deficiency 2006-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether TLE's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, 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

INDEPENDENT AUDITORS' 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 (Continued)

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*.

We noted certain matters that we reported to management of TLE in a separate letter dated June 3, 2013.

TLE's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit TLE's response and, accordingly, we express no opinion on it.

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

BLAND + ASSOCIATES, P.C.

Omaha, Nebraska
June 3, 2013

TRIBAL LAND ENTERPRISE
(Component Unit of the Rosebud Sioux Tribe)
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended September 30, 2012

MATERIAL WEAKNESS

2006-1 Land and Infrastructure:

Condition: TLE did not purchase all of its land and infrastructure and, as a result, historical cost, the actual purchase price, is not known. The land and related infrastructure was assigned to TLE by the Rosebud Sioux Tribe in exchange for certificates of interest (certificates) valued at one dollar per certificate. The value of the certificates is related to the value of the land at the time of the transactions involving land and certificates, the value of the land may approximate cost or "market" of the land at the time of the transaction.

Criteria: Accounting principles generally accepted in the United States of America (GAAP) consider land to be a capital asset. Infrastructure assets are improvements on the land for which the reporting entity is responsible. GAAP requires that both land and infrastructure be reported at historical cost.

Effect: It is unknown whether the value of the certificates exchanged equaled the historical cost of the land. The initial certificates were issued in the name of the Rosebud Sioux Tribe. Land acquired after the initial formation of TLE is valued based on the sale, purchase or exchange of certificates of interest, which are valued periodically. The material weakness arises because the corporate records, including the Board of Directors' minutes, do not clearly state the valuation policies and procedures of the certificates in relation to the land acquired.

Recommendation: We recommend that TLE identify this land, obtain appraisals on these tracts and calculate the fair value as of the implementation of GASB 34.

Response: TLE will work at identifying this land and seeking bids for appraisals on these tracts of land. This process will be initiated in the near future and will be the responsibility of the Executive Director with assistance from the CFO.

PRIOR YEAR AUDIT FINDINGS

**TRIBAL LAND ENTERPRISE
(Component Unit of the Rosebud Sioux Tribe)
PRIOR YEAR AUDIT FINDINGS
Year Ended September 30, 2012**

FINANCIAL STATEMENT AUDIT

WEAKNESS NOTED

CURRENT STATUS

1. TLE does not record land and infrastructure according to GAAP.

1. Similar conditions were noted during the current year.