



**THREE AFFILIATED TRIBES
TRIBAL BUSINESS COUNCIL
SPECIAL MEETING NO. 06-03-VJB
November 15, 2006**

At 10:51 a.m., Chairman Wells stated that the presentation on the Tribes' 2005 audit could begin informally until Councilman Malcolm Wolf arrived to make the quorum. Three Affiliated Tribes Chief Financial Officer Brandon Hand introduced Warren Erickson, CPA, with the firm Dingus, Zarecor, the firm that conducted the 2005 audit.

Mr. Erickson began with a review of the Statement of Net Assets, the Statement of Activities, the Balance Sheet – Governmental Funds, Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.

Councilwoman Brugh asked why the Small Loans Program has never been audited. Mr. Ken Stauffer stated that there is not a beginning balance available for the Program.

CALL TO ORDER:

The meeting was called to order at 11:00 a.m. by Chairman Marcus Wells, Jr.

ROLL CALL:

Present: Secretary V. Judy Brugh, Councilman Malcolm Wolf, Chairman Marcus Wells, Jr., Vice Chairman Nathan Hale, Councilman Mervin Packineau. Five members were present. A quorum was established.

APPROVAL OF AGENDA:

The agenda shall include the following items:
- Fiscal Year 2005 Audit

Motion to approve the agenda was made by Councilman Hale, seconded by Councilman Wolf. Vote: in 5 favor, 0 not in favor, 0 abstaining, and 0 not voting. Motion carried.

ITEM 1. 2005 AUDIT

(Meeting was called to order at 11:00 a.m. and the 2005 audit presentation continued.)

It was noted that Twin Buttes Custom Homes and many other such tribal entities also are not included in the audit. With these entities, the biggest single problem is that they maintained virtually no or inadequate

accounting records although some of the smaller entities actually have a system. Mr. Stauffer said that it may not be possible to get a beginning balance on some of the enterprises. Chairman Wells directed the Finance Office and Audit Firm to accomplish an audit on all entities for the last two years beginning with FY 2005. Mr. Hale noted that the figures in the power point presentation and the handouts were slightly different. Mr. Stauffer stated that the dollar amounts on the power point presentation were accurate as of yesterday.

In response to a question from Councilman Packineau, Mr. Stauffer estimated that approximately \$7 million of the \$25.5 million in governmental activities was salary and fringe.

Mr. Erickson noted that the net fund equity declined dramatically from 2002 to 2005 by \$46.3 million which indicates a trend of erosion of the net equity.

Because of the deficit spending situation, Mr. Erickson recommends using a zero based budgeting format wherein you project annual income and adjust expenditures accordingly.

It was noted that total tribal debt grew over \$40 million from 2002 to 2005. Mr. Erickson clarified that in 2005, a \$10 million line of credit is included in \$60 million total debt. Brandon said that it is only to the Tribe. It does not include other loans with which the Tribe co-signed TBCH and FBDC does not include enterprises or the 4 Bears Casino.

An increase in principal and interest increased from \$5.8 million to \$14.7 million from 2004 to 2005 was largely in part due to the BNC line of credit.

In terms of principal paid on debt, the years where a large amount of principal was paid out, it included some refinancing. There is not a significant amount being paid now.

Deficits are significant between 2002 through 2005. Without loan proceeds, we overspent over \$19 million in 2005 alone.

The accumulated deficit as of 2005 is \$81 million over 4 years.

Trust investments have declined from \$201 million to \$175 million. Interest rates have gone down substantially providing a lower rate of return. Interest earned has steadily declined and the value of the investments also drops if the interest that can be earned somewhere else is higher. Secretary Brugh: Can we reinvest? Mr. Stauffer: If the Office of Trust and Financial Management (OTFM) would move short term investments to long term investments, the return would be better. In regards to the Cobell case, if you settle, it stops you from suing on mismanagement of JTAC and the substantial loss of income on investments.

A review of each of the findings in the draft audit was presented and what needed to be done to correct them. Vice Chairman Hale stated that some tribal entities have requested to withdraw from the Tribes' central Finance and go out on their own. Mr. Erickson recommended very strongly that this not be allowed to happen.

Brandon: We are supposed to be GASB compliant and we need to be working toward that and so he also recommends not letting them do their own accounting. Chairman Wells stated that his intention is to bring them all back in 2007. Angie Nehring recalled that when reconciling, Tribal Housing had to be called over individually. Chairman Wells directed Mr. Hand to do a resolution to bring them back. Jerry Nagel explained that some programs wanted to separate because the Tribe was getting into their funds. Malcolm asked if this would apply to community funds as well. Chairman Wells replied that the communities have their own accounts for monies they receive from the docket. Vice Chairman Hale said that we are trying to be better managers so that we don't have the talk that money goes to where it shouldn't. The other problem is that they can't get their checks on time. That's another reason why we need to get back to a balanced budget. Councilman Wolf complained that there were too many signatures on purchase orders and that that needed to be changed. He also agreed that if we don't make cuts now including layoffs of staff, the deficit will continue to grow and it will be harder to do later. If the directors and staff don't feel that crunch now, they're not going to start to care. Chairman Wells agreed that we can only spend what we receive from now on.

Secretary Brugh: If the Casino has a good audit and we have a bad one, will it affect them? Mr. Stauffer: Typically not.

Brandon: The team is working on the signature issue now and that it is proposed that there be only three (3) signatures on purchase orders. It looks like it will be the director, the contract officer, and also Property who watches out for fixed assets and for insurance purposes. The accountability will be on the Contract Officer. There will be a staff meeting within Finance on Friday and Director's meeting on Monday to discuss the process. Most were stamped signatures anyway. Brandon recommends that the directors do not stamp but sign because they are responsible.

Councilman Packineau noted that the Tribe was opposed to including trust responsibility in current investments and financial dealings in Cobell. As far as the deficit is concerned, we need to show the membership how much we reinvested into the Tribe such as in the Justice Center, the Elders Organization, etc. He sees one of the biggest problems we have is that we'll build something but we don't budget for the operation and management. We need to do that. Then we wouldn't need to rely on the Tribe so much.

Mr. Erickson stated that right now the 2005 audit will be 'adverse'. Councilman Packineau: Is there something else we can do to get it qualified? Mr. Erickson: Yes. Brandon: We need to take a look at all the entities and see the situation but can't give a timeframe. There have been changes in management in some entities. Brandon would put forth a list of those entities at the next TBC meeting. We may audit the other