

**Mid-Year Financial Report 2010**  
**Michael J. Bongo, Secretary Treasurer**  
**Leech Lake Reservation**

Greetings Fellow Leech Lake Band Members:

In my continuing effort to keep our Band members well informed about the financial condition of the Leech Lake Reservation I have prepared a mid-year financial report for our Band members review. For this report I will focus on what we commonly refer to as the Bands Direct Funding, i.e. our gaming revenue, state tax revenue and our hunting and fishing rights agreement with the state of Minnesota.

This fiscal year we have budgeted approximately \$15,726,000 in Direct Funding to the various programs and services of the Leech Lake Reservation. As a reminder the Leech Lake Reservation's fiscal year is July 1, to June 30, annually. Presently we are in the 8<sup>th</sup> month of our fiscal year and the magic number to remember is 62%, meaning that programs should have expended no more then 62% of their Direct Funding to date.

Initially I had sincerely hoped based upon our past efforts to improve the financial management of our Direct Funding budgets that I would have some positive and encouraging news to report. However I am sorry to inform you that I do not. Some of our Programs and Divisions continue to struggle with basic financial and budget management.

As the Secretary Treasurer it is my duty to continue to stress the need and importance for proper fiscal management. Unfortunately some of our programs continue to exhaust their Direct Funding budgets first as opposed to their Federal and State grants. When we manage our limited assets and resources in this manner it means that we have less resources for other Band member services such as increasing our tax re-bate which we have the capacity to do provided we do a better job of managing our Direct Funding resources.

That said our current Direct Funding by program year to date is as follows:

Public Works Division:

Constituent Services	72%	\$280,000 (Over Budget to Date)
Well & Septic	86%	\$157,000 (Over Budget to Date)
Well Drilling	79%	\$23,000 (Over Budget to Date)
Operations & Maintenance	80%	\$71,000 (Over Budget to Date)
Heavy Equipment	78%	\$62,000 (Over Budget to Date)
Solid Waste	97%	\$168,000 (Over Budget to Date)

Division of Resource

Management Administration:	73%	\$38,500 (Over Budget to Date)
De-Bah-Jimon	78%	\$39,000 (Over Budget to Date)
Veterans Services	88%	\$24,000 (Over Budget to Date)
Summer Youth Employment	69%	\$12,000 (Over Budget to Date)
Tribal Referral	64%	\$17,000 (Over Budget to Date)
Total to Date:		\$891,000 (Over Budget to Date)

The bottom line is that this is simply unacceptable and we must begin to immediately improve the financial management of our various program budgets, if not then those responsible must be held accountable.

An additional concern is the fact that we spent approximately \$700,000 on the purchase of wild rice this past fall. While this was a direct benefit to our ricers and helped keep the price of rice up, it was a last minute decision by the Tribal Council and as such we did not plan or budget resources for this expenditure nor do we have a market for the resale of the rice. I characterize this as a ready, shoot, aim business philosophy. The end result is that we now have approximately 150,000 lbs. of finished rice and we are now scrambling to find suitable markets for resale in hopes of recapturing the \$700,000 that we expended on the purchase of the rice.

Recently I meet with fellow Leech Lake Band member Dennis Banks, who has contacts in Japan and has graciously offered to try and assist us in finding a short and hopefully long term market for the resale of this rice. However until such time as we resell the rice we have an additional revenue short fall of \$700,000 in our 2010 budget.

An additional revenue short fall has also been created through the sale of Seneca cigarettes. Essentially since we are selling the Seneca cigarettes without collecting state taxes we are in violation of the State Sales Tax Agreement between the Leech Lake Reservation and the State of Minnesota. This agreement has been in place since the mid 70s. Because of this situation the State of Minnesota has with-held the first two quarterly sale tax reimbursement payments to the Leech Lake Reservation for gas, cigarettes and liquor which I estimate to be approximately \$562,000 for the first half of fiscal year 2010. To date we have generated approximately \$138,000 in revenue from the sale of the Seneca cigarettes.

This is a highly complex issue and we are presently engaged in discussions, dialog and negotiations seeking both a political and administrative solutions. While I am hopeful that we can reach a settlement with the State of Minnesota on this issue and the tax rebate owed to the Reservation will ultimately be paid, I can not say this for certain and we could very well be headed for long and protracted legal battle. As I stated earlier this is a very complex issue but is yet one more example of how we failed to fully analyze the potential impact of our decision. The end result is that we are now facing yet another revenue short fall exchanging approximately \$562,000 in guaranteed tax revenue for \$138,000 in cigarette revenue translating in a net loss of \$424,000.

As a result of these factors, over spending of our Direct Funding budget \$891,000, the unplanned purchase of \$700,000 worth of wild rice, and the temporary loss of the State Tax reimbursement payments of \$424,000 we have created a overall revenue shortfall of \$2,015,000 to date. We have five months left in the fiscal year and needless to say we must recapture this revenue by discontinuing the practice of over-spending our program budgets, find suitable markets for the resale of our wild rice, and resolve the standing tax dispute with the State of Minnesota.

The final item that I would like to cover is to provide you with an up-date on the number of Band members assisted on a monthly basis by the Secretary Treasurer's office. At the quarterly meeting last month Richard Johnson, raised the question as to why the Secretary Treasurer had two assistants, a very good question. To answer this question, unlike the other Tribal Council positions, the Secretary Treasurer position has a number of specific job duties to include safe guarding the Band's assets and resources, budget management, supervision of the Accounting Department, management of information released to the public, etc. and of course meeting with Band members when they have issues or problems. As part of my monthly report I have decided to also include Band member office visits.

For the month of January 2010, I had 104 office visits from Band members seeking assistance with various personal issues. 23 Band members were seeking employment of which we were able to assist 6 with gaining immediate employment at an average hourly wage of \$8.50 hour. The remaining 17 are either awaiting interviews or still searching for employment. We had 14 Band members seeking financial assistance with emergency health related issues and 71 Band members were seeking assist with various financial and utility related issues to included homelessness, housing issues, utility bills, and a host of other personal related issues. Overall I was able to assist 71 Band members requesting financial assistance ranging from \$300 to \$15.00.

As I stated I have two assistants, Nissa Peltier, deals with all of the employment related issues assisting with getting Band members interviews and following up on their progress and status. Tera Wilson is my Administrative Assistant and her primary duties and functions are maintaining my daily schedule, processing requests for financial assistance, taking and processing all Tribal Council minutes and resolutions, processing messages from Band members and in general trying to keep me organized and on target, which is no easy task. Any of our Band members who have stopped by my office clearly see that it is a very busy place and we try to do our very best to meet the needs of our Band members and make them our top priority. To the degree possible we try our very best to help our Band members provided they are making an attempt to help themselves. Our only limitation is limited resources and I do try and be as resourceful as I can be in finding resources to help our Band members, however I would like to remind our Band members that in terms of limitations, each Council member has a limited budget of \$3,300 per month to provide emergency assistance to our Band members. Once we reach this budgeted amount our line items are shut down for the remainder of the month.

Because of the workload and the need to better serve our Band members is my primary reason for having two assistants.

Should anyone have any questions regarding my report or any other questions related to the Leech Lake Reservation, please feel free to contact me at your convenience. I may be reached at (218)-308-0704.

Thank you.

Sincerely,

Michael J. Bongo  
Secretary Treasurer