

COUNCIL OF THE CHEROKEE NATION
EXECUTIVE & FINANCE COMMITTEE REPORT

Group: Financial Resources **Month/Year of Report:** November 2011

Group Leader: Callie Catcher **Phone:** 207-3902 **E-mail:** callie-catcher@cherokee.org

I. Budget Highlights – through September

- a.) Financial Resources – 98% spent
- b.) Treasurer – 99% spent
- c.) IIM – 92% spent
- d.) Acquisition Management – 78% spent
- e.) Records Management – 73% spent
- f.) Support Services – 97% spent
- g.) Office of Historical Records – 96% spent

II. Program Highlights

a.) Balanced Scorecard Measures

- 1. Complete FY11 Audit - 0% complete
- 2. Obtain Unqualified Audit Opinion – 0% complete
- 3. No Reportable Conditions on Single Audit – 0% complete
- 4. Implementation of SAS 115 audit requirements – 100% complete – Report as of 11/15/11 states “*no significant deficiencies or material weaknesses in internal controls were identified*”.
- 5. Obtain GFOA Award for FY10 CAFR – 100% complete
- 6. Reports Completed & Submitted by Due Dates – 98% Complete for reports due by 10/30/11

b.) Accomplishments

- 1. October 1 - Lawson LBP fully functioning for FY12
- 2. November 2 - FY11 year-end financial closing processes in progress
- 3. November 4 – SAS 115 Internal Control Audit completed for FY11
- 4. November 9 - Lawson Budgeting & Planning Training for Environmental Protection Commission
- 5. November 16 - Lawson Budgeting & Planning Training for Human Services
- 6. November 18 – Travel & GSA Training for Career Services

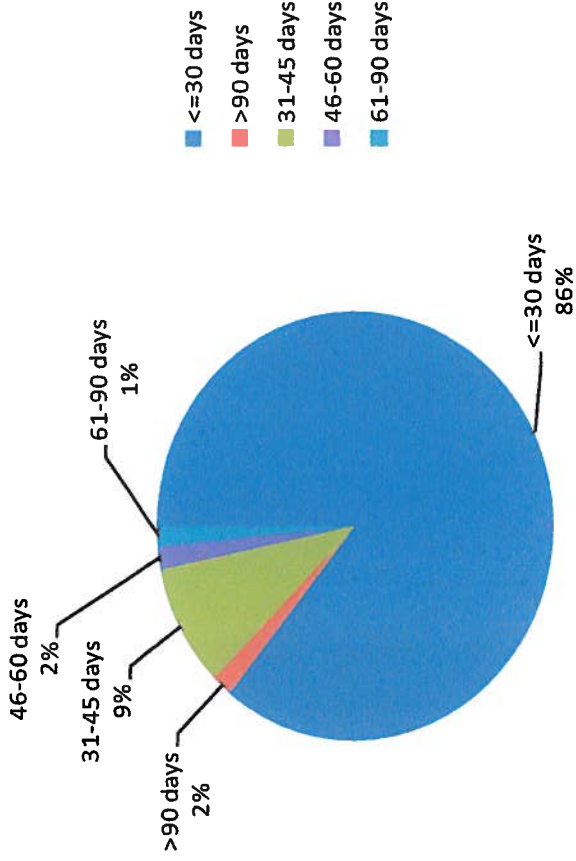
c.) Future Plans/New Initiatives

- 1. FY11 year-end closing processes and reviews continue
- 2. First draft of FY11 CAFR due to auditors December 30

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Cherokee Nation Acquisition Management Year-To-Date Report Over \$5,000 Transactions October 1, 2010 through September 30, 2011		% of sub-total - TERO vendor submitted Bid
Award to TERO Vendor	\$ 31,158,915.04	85.36%
Award to non-TERO Vendor	\$ 5,344,351.49	14.64%
Sub-total bids with a TERO vendor participating	\$ 36,503,266.53	100.0%
Bid - no bids submitted by TERO Vendors	\$ 8,119,693.32	

Invoice to Amount Comparison



Row Labels	Values	
	APP-TRAN-PMT-AMT	APP-INVOICE
<=30 days	57,070,684.94	49,651.00
>90 days	1,077,756.60	562.00
31-45 days	6,178,618.75	1,897.00
46-60 days	1,156,267.56	513.00
61-90 days	985,754.16	423.00
Grand Total	66,469,082.01	53,046.00

I. Budget Highlights

- a. October consolidated monthly net income was \$6.5 million compared to budget of \$7.4 million.
 - i. The variance to budget was the result of higher than expected total operating expense at CNE as well as lower revenue from the IT Portfolio. The unfavorable variances were partially offset by higher net income at CNB of (\$1.6 million) resulting from lower than anticipated total operating expense.
 - ii. Below are the net income variances to budget for each entity:
 - 1. CNB: +\$116,000
 - 2. CNE: -\$451,000
 - 3. CNI: -\$57,000
 - 4. Technology: -\$243,000
 - 5. Others: -\$277,000
- b. FY12 Year-to-date Consolidated Cap ex (actual expenditures) is \$1.2 million for all entities.
 - i. CNE: \$1.1 million
 - ii. CNB: \$43,000
 - iii. CNI: \$36,000
 - iv. CPM: \$ -
 - v. MOB: \$ -

II. Operating Highlights

- a. The BoA credit facility has a balance of zero as of Oct 31, 2011.

I. Budget Highlights

- a. Total CNE revenue totaled \$40.7 million, which was consistent with budget.
 - i. Higher than budgeted gaming and retail revenue was partially offset by an unfavorable variance in promotional allowances. The variance in promotional allowances was primarily due to a higher number of complimentary tickets associated with additional performances at the Joint as well as higher than anticipated redemption of rewards credit.

Below are the revenue variances to budget for each property:

 1. West Siloam Springs: -1.7%
 2. Tahlequah/Fort Gibson: -6.3%
 3. Roland/Sallisaw: -10.1%
 4. Catoosa: +6.5%
 5. Will Rogers Downs: -2.6%
 6. Ramona: +18.0%
- b. Total operating expense in October was \$29.8 million, compared to a budget of \$29.2 million. The unfavorable variance in operating expense was driven by expenses associated with the fall horse racing meet, primarily the horse racing purse expense. However, this was partially offset by higher purse reimbursement revenue from the Horsemen's Association. Total employee cost of \$11.3 million was slightly below a budget of \$11.5 million.
- c. CNE October net income totaled \$8.1 million. Net income was 5.3% below CNE's budget of \$8.6 million

II. Operating Highlights – As of October 31, 2011

- a. Properties
 - i. Catoosa – Catoosa EBITDA in October 2011 was \$5.4 million, which was \$442,000 or 8.9% above a budget of \$5.0 million. October revenue was 6.5% above budget primarily due to higher than expected gaming revenue. Management is taking action with upcoming projects to improve the gaming floor including new lights in VIP suites and replacing carpet in high limit rooms. Also, due to the loss of Casino III, management continues to monitor the gaming floor and strategically place of gaming machines in an effort to maximize revenue.
 - ii. West Siloam Springs – West Siloam Springs EBITDA was \$4.3 million in October 2011. This was \$75,000 or 1.8% above a budget of \$4.2 million. Higher EBITDA was primarily the result of a favorable budget variance in total operating expense of \$242,000. Total revenue had an unfavorable variance of \$168,000. The variance in revenue was the result of higher promotional allowances primarily due to higher coupon expense. .
 - iii. Roland – Construction on I-40 from Roland to the Arkansas state line began in late November and is anticipated to be complete in the spring of 2012.
 - iv. Sallisaw – October eGame revenue of \$1.5 million was 8.2% unfavorable to budget. October total revenue was down \$113,000 or 7.0% when compared to October 2010.
 - v. Ft. Gibson – Plans have been approved to build a permanent facility in Ft. Gibson consisting of 500 electronic gaming machines, a new F&B venue and a bar. The plan also includes the removal of the retail store and replacing it with a stand-alone smoke shop. October eGame revenue of \$1.4 million was 8.1% below budget.
 - vi. Ramona – Ramona October net income was \$533,000 which was 74.8% above budget of \$305,000. Construction has begun on a permanent facility consisting of 500 electronic gaming machines, a new F&B venue and a bar. Initial estimates are construction will be finished in late 2012.

Actual Results

a. Net Income

- i. Net loss for October 2011 is \$119,000, which is \$57,000 unfavorable to budget. The unfavorable variance is primarily due to an unfavorable variance in Manufacturing of \$130,000 due to both lower than expected revenues and lower GPM offset by a favorable variance in Military Services of \$69,000 due to a decrease in unallowable expenses..
- ii. October's net income was unfavorable to prior year by \$89,000 due to an unfavorable variance in Manufacturing of (\$254,000) due to reduced revenue and reduction in GPM offset by favorability in Military Services of \$105,000 due to increased revenue and a reduction of Corporate Overhead of \$83,000.

b. Revenue

- i. CNI's revenue totaled \$6.3 million in October 2011, which was \$1.4 million below budget. The variance is primarily due to decreased revenue of \$952,000 in Distribution Services and in Manufacturing of \$157,000 due to decreased demand while the reduction in Military Services of \$382,000 is due to timing.
- ii. October revenue declined \$1.8 million from the prior year. Professional Services experienced a decline of \$696,000 due to expired contracts that have not been replaced. The unfavorable variance in Distribution Services of \$852,000 and Manufacturing of \$622,000 is due to lower than expected demand. The unfavorable variances were partially offset by a favorable variance in Military Services of \$393,000 associated with a ramp up of activity.

c. Operating Expenses

- i. Total operating expenses for October 2011 were \$6.3 million compared to a budget of \$7.6 million. The favorable variance in expense is mainly due to decreased expenses associated with lower revenues.
- ii. Operating expenses compared to prior year were lower by \$1.7 million due to lower revenue.

d. Employment

- i. 71.27% Cherokee citizen employment
- ii. 80.22% Native American employment

I. Budget Highlights

- a. October revenue of \$5.0 million was \$1.5 million above prior year revenue of \$3.5 million, but \$329,000 behind a budget of \$5.3 million.
 - i. Revenue was impacted unfavorably by the reduced staffing on contracts at Cherokee Services Group (CSG), Cherokee Nation Technology Solutions (CNTS), and Cherokee Nation Technologies (CNT) business unit.
 - ii. Revenue was favorably impacted by the addition of new billable staff at Cherokee Nation Government Solutions (CNGS), and the kickoff of two new Federal contracts at CSG that will contribute \$2.0 million in annual revenue.
- b. October net income totaled \$140,000, compared to a budget of \$382,000. While each company continues to aggressively pursue additional federal awards from new and existing customer bases, the slowdown in Federal spending has resulted in an increasingly price competitive market and longer time frames to bid and receive new contract work. Several large contracts are currently being pursued by companies within the Technology Portfolio that could favorably impact revenue in FY2012. Outstanding proposals awaiting decision exceed \$150 million.

II. Operating Highlights

- a. Current Month
 - i. The addition of two multi-year contracts with the National Institute of Health (NIH) and the National Oceanic and Atmospheric Administration will provide \$2.0 million in annual revenue.
 - ii. Two additional business development staff were added to pursue additional federal awards.
 - iii. Employment - 626 total employees
- b. Future Plans/New Initiatives
 - i. Continue to strategically grow revenue by leveraging:
 - 1. Strengths of ETI and ITX.
 - 2. Advantages of the SBA 8(a) programs.
 - 3. Cherokee Nation's reputation, network/affiliates, financial strength and current IT infrastructure.
 - 4. New PeopleSoft accounting system for government contracts.
 - 5. New federal contracts.
 - 6. Strategic acquisition opportunities.

I. Budget Highlights

- a. CNSD net loss was \$12,000 in October 2011. This was \$24,000 below the budgeted net income of \$12,000.
- b. APSE net income was \$19,000 in October 2011. This is lower than prior year net income of \$25,000 and is lower than the October 2011 budget of \$49,000. Parts sales continue to remain lower than expected and margins remain tight. Operating expenses remained lower than budget. EBITDA for October 2011 was \$53,000, which was lower than budget of \$113,000.
- c. CCRC experienced a profit of \$149,000 in October 2011. This was 22.1% over a budget of \$122,000. Higher profitability was primarily the result of higher than budgeted revenue in the construction portfolio as well as slightly lower than budgeted total operating expenses.
- d. CNCS generated a loss of \$38,000 in October 2011 as compared to a profit of \$4,000 in September 2011. The reduced profit compared to the previous month was a result of lower revenues generated in the month of October. In October, the Dover AFB contracts were the sole source of revenue for CNCS with a gross margin for the Dover AFB work of 7.4%.
- e. Mobility Plus October resulted in net income of \$42,000 compared to budgeted income of \$59,000, an unfavorable variance of \$17,000.

II. Operating Highlights

- a. CNSD had previously entered into a service contract with Smith & Wesson Security Solutions that is now generating revenue and favorable feedback from CNSD work efforts has been received. CNSD has entered into two contracts recently that will show revenue in the coming months. The first is the installation of a High Security Video Conferencing center in Fort Sill in Lawton, OK. The second contract is a total Physical Security Upgrade for a Naval Air Station located in Puerto Rico.
- b. APSE October revenue was \$727,000; an increase as compared to prior month, but remains lower than October budget of \$938,000. APSE formally received the long awaited purchase order from Boeing for the 345 Kitting Program. Boeing expects to take delivery of its first 14 kits totaling \$6.0 million in the June/July 2012 timeframe. As well, general sales revenues are expected to begin slight increases in coming months as the recently awarded M7 contract has become fully operational, supporting parts sales in 3 hangar locations in the San Antonio area.
- c. CCRC October 2011 revenue was \$1.7 million. In addition to the portfolio carrying a backlog of approximately \$9.0 million forward into fiscal 2012, CCRC was awarded a \$3.3 million job at Fort Dix, NJ this month. This contract was awarded under CCRC's existing contract with Picatinny Arsenal. This means that excess capacity under the Picatinny contract could possibly be used by other facilities under their jurisdiction which CCRC will market. CCRC has a \$10.9 million BIA contract for a large dormitory in Anadarko that is expected to be signed any day and work is expected to begin after the first of the year.
- d. CNCS currently has 2 active task orders issued under the Dover AFB contract with an additional task order to be signed any day that is a \$5.9 million design-build project. CNCS also has 2 new contracts; one with Tinker AFB and one with the U.S Army Corp of Engineers – Little Rock Division. Government funding has slowed the issuance of task orders but the outlook is good for additional work. CNCS is currently focused on marketing our construction capabilities to numerous armed services bases to replicate the success we are having at Dover AFB.

- e. Mobility Plus had a positive month for October. While results were below budget, operations are trending in a much more positive direction. In the short-term, results are expected to remain slightly behind budget, but as the year progresses, and continued refinement of business processes, improvements should be seen in both revenue growth and cost containment.

Group: Career Services-
Employment Month/Year of Report: November, 2011

Group Leader: Diane Kelley Phone: 453-5628 Email: dkelley@cherokee.org

I. Budget Highlights – Please refer to Monthly Financial Report

None

II. Program Highlights

a. Balanced Scorecard Measures

Activity	October	YTD	Goal	% of Goal
GED Completions	39	39	250	16%
Training Completions	45	45	450	10%
Employment Completions	4	4	300	1%
Unsubsidized Placement	44	44	500	9%
Retention	26	26	200	13%
Job Readiness Training	21	21	500	4%
WorkKey Credentialing	47	47	500	9%
Job Bank	18	18	1,000	2%
Indian Owned Businesses	16	16	100	16%
Major Cherokee Employers	0	0	50	0%
Job Fairs	1	1	15	4%
Community Service	2	2	50	4%

Balanced Scorecard measures for the previous month will be available the 15th of each month.

b. Accomplishments

1. The TERO Employment and Resource Fair was held November 17, 2011 at the Cherokee County Fairgrounds. They had a real good turn out and plans are to have follow-up events in other areas of the Cherokee Nation.

2. The Day Work Training Program has increased the past several weeks due to the holidays. The number of people placed is upwards of 1,200 per month.

Initiatives

1. TERO Legal Updates will be December 7-9, 2011.
2. Section 3 and Certified Payroll software training will be held in December.
3. A special meeting will take place for new Tribal Council Members in the month of November.

Group: Certified Indian Owned Businesses (Career and Commerce Services)

Month/Year of Report: December 2011

Program Highlights

a. Balanced Scorecard Measures

Objective	Metric	2011 Goal	Year to Date Achievement Notes/Comments
Effective Business Workshop Training	# Certified Indian-Owned Business Attendees and % indicating usefulness	500/100%	35/100%
Increase Certified Indian-Owned Business Procurement Awards	% Certified Indian-Owned Business Procurement Awards	75%	56.54% Business Entities eligible procurement \$'s awarded to Certified Indian Owned vendors <ul style="list-style-type: none"> • CNE – 30.04% • CN Government - 72.13% • Health Entities - 96.88% • CNI – 161.87% • Waste Management - Not Available
Increase Cherokee Citizens employed	% Cherokee Citizens (verified)	Entity CNE – CNB - CN – 82.9% Health - CNI – CRC – Aerospace -	Business Entities - 71.25% <ul style="list-style-type: none"> • CNE (CNE, CHL, WRD, CNSS) 62.67% • CNB (CNB, CNT, CSG) 85.59% • CN Government 81.60% (does not include IPAMOA) • Health Entities 51.03% • CNI 74.72% (does not include service contract employees) • CRC 18.92% (not wholly owned by CN) • Aerospace 0% (not wholly owned by CN) • Waste Management 100%
Increase Indian-Owned Business Certifications	# Newly Certified Indian-Owned Businesses	80	16
Effective One on One Training for Certified Indian Owned-Businesses	# of businesses receiving assistance/% finding useful	300/95%	14/100%
Certified Indian-Owned Business Receiving Financial Assistance	% Certified Indian-Owned Business Loans in Portfolio	85%	0% - Dollar Amount Loaned out 0% - Number of Loans
Effective Usage of Fees Collected	# Trained	100	0
Effective Monitor of Work Sites – Construction and Housing	# Monitoring Visits	90%	100% - 148 sites monitored
Effective Monitor of Bid Openings	# and % Bid Openings Attended	100%	100% - 5
Effective Resolution of Complaints – TERO and EEOC	% Complaints Resolved	100%	TERO: 3 complaints filed; 0 resolved, 3 pending EEOC: 0 complaint filed; 0 resolved, 0 pending

b. Notable accomplishments:

1. Certified Indian-owned Business Vendor Fair held October 20, 2011 at Hard Rock Casino.

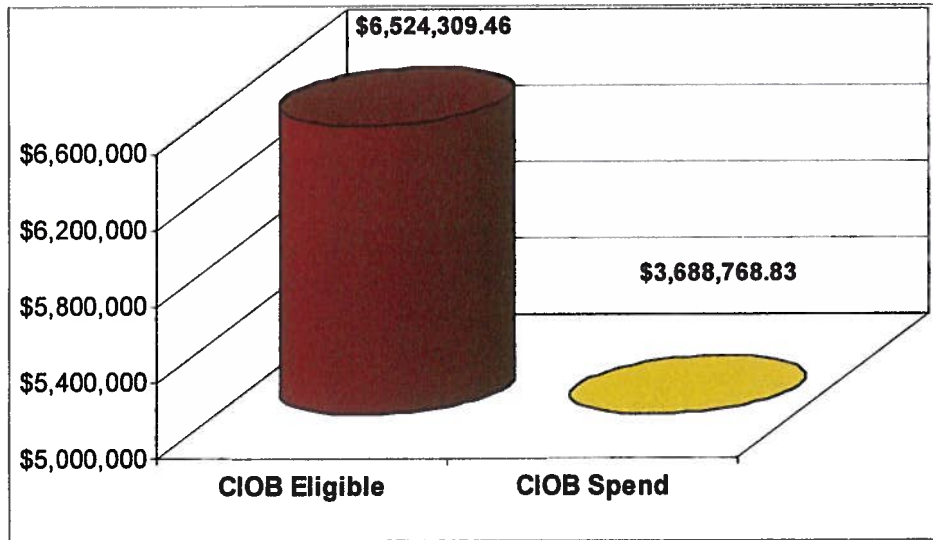
271 vendors and 503 participants attended the Vendor Fair.

- **10 large external vendors attended to explore the possibility of extending work to TERO certified businesses** – Boeing; Conoco-Phillips; State Farm; OK Dept of Transportation; Tulsa Housing Authority; Tulsa Bridge Program; OSU; Tulsa Transit; Army Corp of Engineers; and San Francisco Northern Rail.

- **Workshops held at Vendor Fair include** – Global Marketing; Government Contracting; Minority Certification 8(a), Woman owned, HUBZone, and Minority Supplier Development Council; Social Media, Writing a Capability Statement, and a Small Business Resource Panel
2. **Youth Entrepreneur Day and Business Plan Competition November 9 at SHS.** Commerce staff worked with 12 rural schools providing business plan training for the competition; 188 students participated in the event
 3. Community Tourism met with **Oklahoma Arts Council** to review a partnership for the Oklahoma Regional Arts Network
- d. Future plans/new initiatives:
1. Cherokee **citizen employment goals** set by business entities.
 2. **TERO certified CIOB Marketing Plan** to engage other state and tribal entities in accepting CN certification as a minority certification, thereby adding more value to CN certification.
 3. **Electronic notification to TERO certified Indian-owned businesses** when a procurement opportunity they qualify for posts on www.cherokeebids.org. Notification will be through email and text messaging. The first step in coding vendors has been complete and Information Systems is working on the notification. Training for departments and testing should be completed this summer with full implementation before the end of the fiscal year.
 4. **CIOB Teaming Program** to increase competitiveness of CIOB on larger contracting opportunities. This program will aid smaller CIOB to find potential teaming partners and work together to jointly bid on projects or subcontract for each other.
 5. Entrepreneurial Development **workshops to be stored online for easy access** by businesses that cannot attend the live workshop.

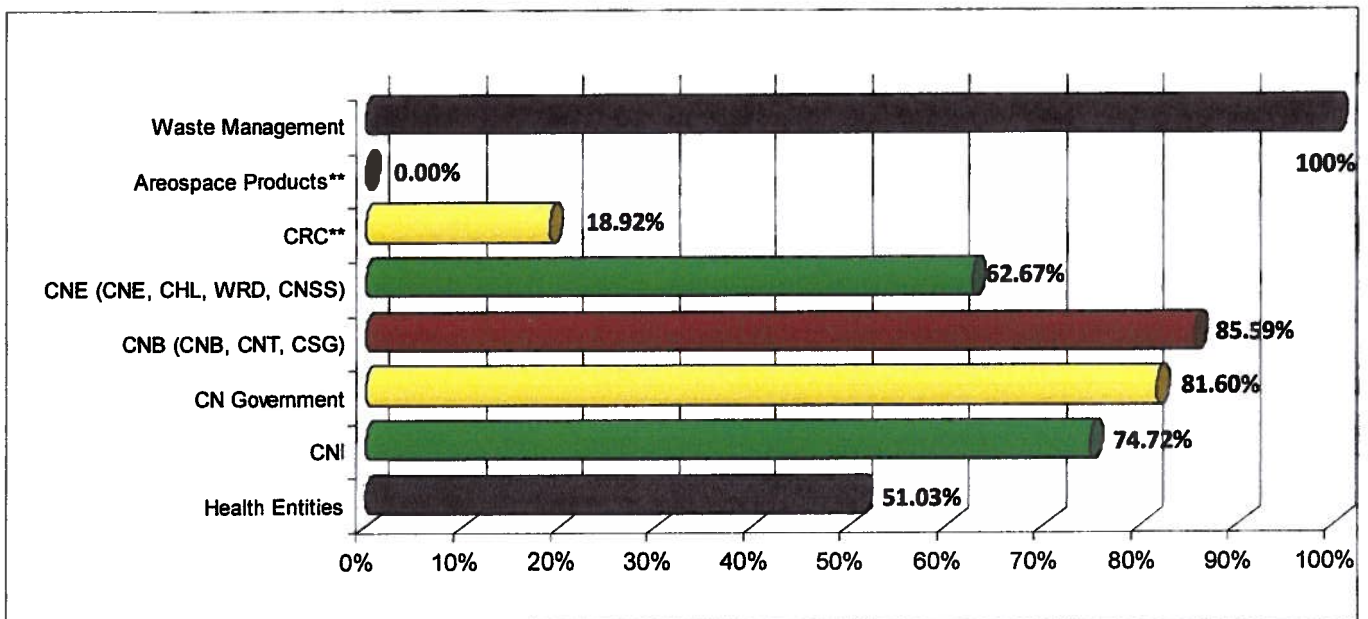
Business/Entrepreneur Workshops			
Date	Location	Time	Workshop
November 28	RSU – Claremore	9 am to 4 pm	Time Management
December 1	Tahlequah Casino	All Day	Understanding Banking Presentation
December 8	Hulbert	6:30 pm to 7:30 pm	Coupon Workshop
December 19	RSU – Claremore	9 am to 4 pm	Financing
January 10	Victory Cherokee	6:30 pm to 7:30 pm	Money Management
January 12	West Siloam Casino	All Day	Understanding Banking Presentation
January 23	Adair County CDC	5:30 pm to 6:30 pm	Coupon Workshop

56.54% of CIOB Eligible Procurement Opportunities were awarded to CIOBs



**Includes CN Government, CNE, CNI, and Health Entities

71.25% of Employees are registered Cherokee Nation Citizens



**Companies majority, not wholly, owned