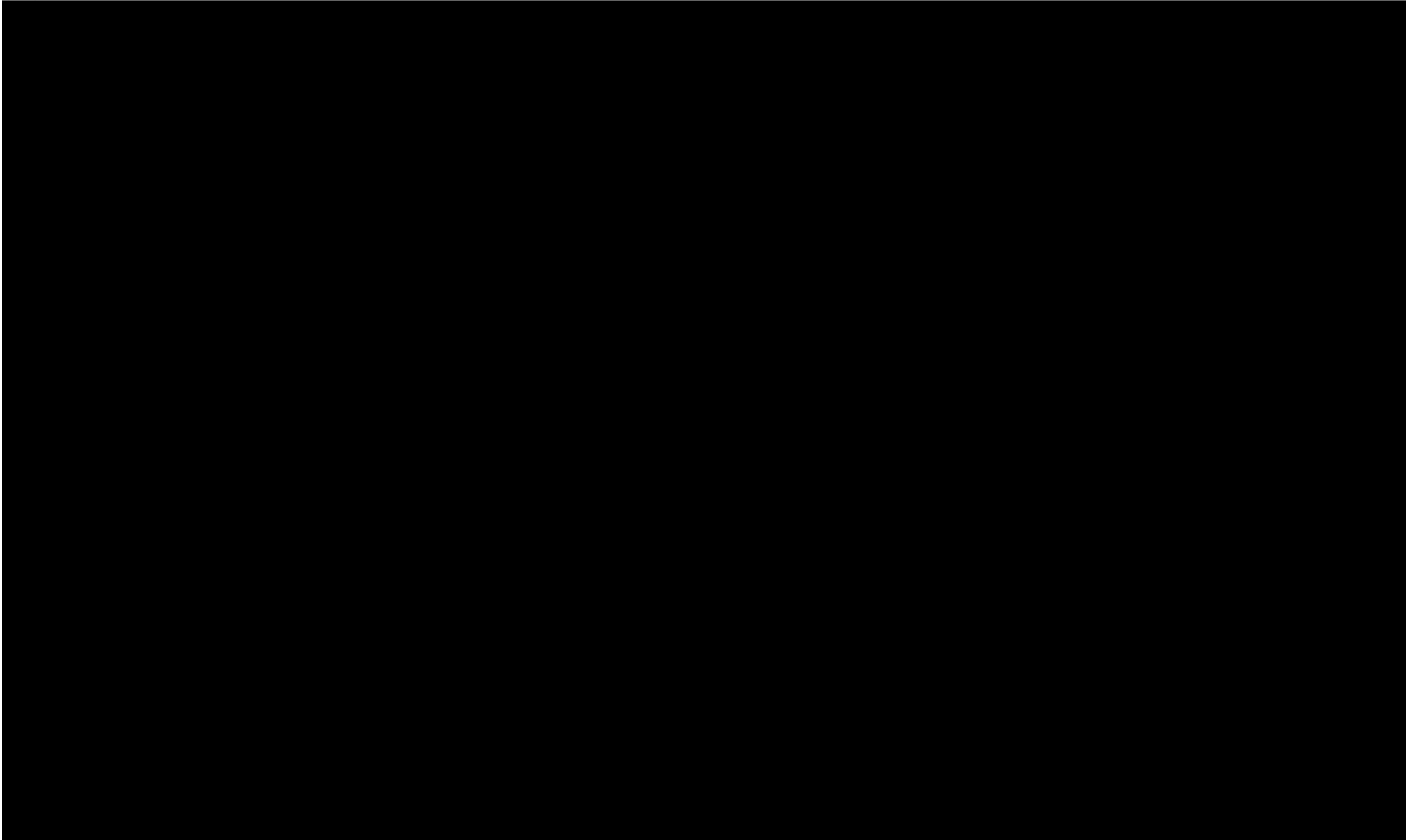
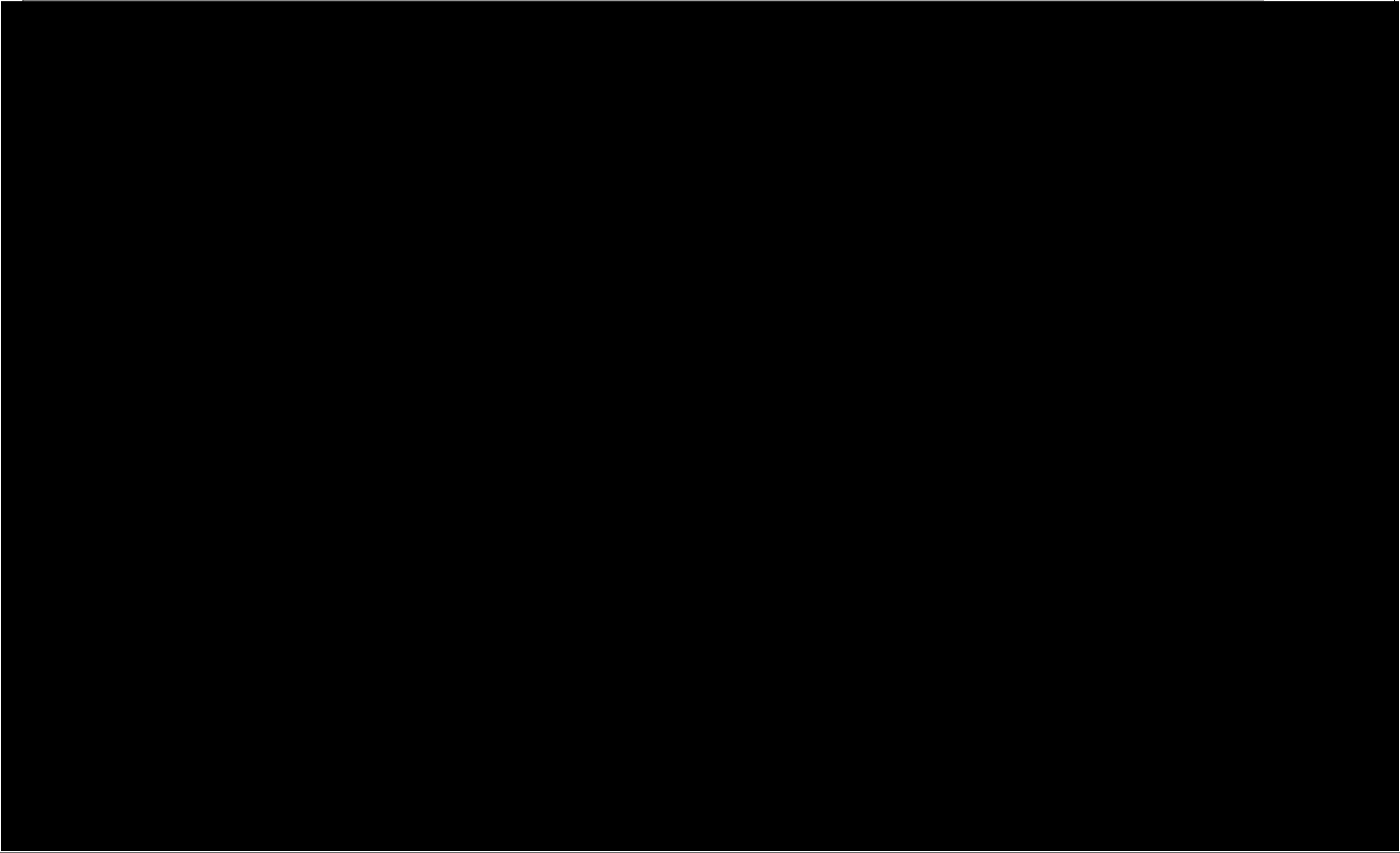


# PYRAMID RESERVATION PROPOSED PFSA BROADBAND MID MILE



PYRAMID RESERVATION BROADBAND MID-MILE : UNSERVED



8 Pages

Withheld in their entirety  
pursuant to FOIA Exemption 4  
(5 U.S.C. § 552 (b)(4))

## **BTOP Comprehensive Community Infrastructure Community Anchor Institution and Network Points of Interest Detail Template**

Please complete the Anchor Institution Details worksheet by providing information on all Community Anchor Institutions that will be directly connected by the proposed network as necessary. All Community Anchor Institutions should be given a type from the specification. A Community Anchor Institution is considered a minority-serving institution if it is a post-secondary educational institution with enrollment of minority students exceeding 50% of its total enrollment. The "Project Role" column only requires a word or two, or a short phrase, not a detailed explanation of the role of project partners and community anchor institution provided in the essay portions of the application.

Please complete the Points of Interest worksheet by providing information on all points of interest. Points of interest include, but are not limited to, interconnection (passive, non-environmentally controlled points of interconnection, e.g., fiber optic points, may be excluded), collocation facilities, central offices, head ends, and other central facilities, network access points to last mile service providers, Internet peering points, etc. For each point of interest you may provide either a street address or geocoordinates (latitude and longitude). You must provide detail on what the point of interest is, whether it is already existing or will be created by the proposed project. Where more than one facility type applies, select the most appropriate facility type. For example, if a central office houses a point of interconnection, select central office as the facility type, or if a cell site is located on a tower, select tower as the facility type. The "Interconnection Available at the Facility" field should be Yes if interconnection to the proposed network is available at that location, otherwise No. The brief description field is optional and may be used to convey a better understanding of what the facility is. You may use the space at the bottom of the table to provide additional notes, if desired.

**The data provided via this template will be subject to automated processing. Applicants are therefore required to provide this upload as an Excel file, and not to convert it to a PDF or other format for upload. Additionally, applicants should not modify the format of this file.**



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## BTOP CCI Community Anchor Institutions Detail Template

Title: **Pyramid Lake Paiute: Natukwena Nagwesenoo**  
 Easy Grants ID: **#5374**

Facility Name	Organization	Address Line 1	City	State	Zip	Facility Type	Minority Serving Institution Type	Project Role
Wadsworth Courthouse	PLPT	390 Main St	Wadsworth	NV	89442	Other Government Facility		subscriber
Nevada Skies Youth Treatment	Nevada Skies	# 1 Big Bend Rd	Wadsworth	NV	89442	Other Community Support Organization		subscriber
Victim Services	PLPT	# 3 Big Bend Rd	Wadsworth	NV	89442	Other Community Support Organization		subscriber
Realty Office	PLPT	#1 Ranch Rd	Wadsworth	NV	89442	Other Government Facility		subscriber
Natchez Grade School	PLPT	#1 Washeim St./SR 447	Wadsworth	NV	89442	School (k-12)		subscriber
Headstart	Headstart	380 Pyramid St	Wadsworth	NV	89442	Other Community Support Organization		subscriber
Day Care	PLPT	380 Pyramid St	Wadsworth	NV	89442	Other Community Support Organization		subscriber
Wadsworth Community Center / Library	PLPT	site selection pending	Wadsworth	NV	89442	Library		subscriber
I 80 Smokeshop/ RV Park	PLPT	1000 Smokeship Circle	Wadsworth	NV	89442	Other Government Facility		subscriber
Nixon Store	PLPT	50 SR 447	Nixon	NV	89424	Other Government Facility		subscriber
Pyramid Lake Health Clinic	PLPT	705 SR 446	Nixon	NV	89424	Medical or Healthcare Provider		subscriber
Pyramid Lake Museum/ Cultural Center	PLPT	700 State St	Nixon	NV	89424	Other Community Support Organization		subscriber
Pyramid Lake JR/SR High School	PLPT	711 State St.	Nixon	NV	89424	School (k-12)		subscriber
Nixon Daycare	PLPT	193 W. Pyramid Lake Rd.	Nixon	NV	89424	Other Community Support Organization		subscriber
Nixon Headstart	Headstart	191 W. Pyramid Lake Rd	Nixon	NV	89424	Other Community Support Organization		subscriber
Emergency Response	PLPT	104 SR 447	Nixon	NV	89424	Public Safety Entity		subscriber
PLPT Courthouse	PLPT	221 SR 447	Nixon	NV	89424	Other Government Facility		subscriber
PLPT Modulares: Higher Education	PLPT	301 SR 447	Nixon	NV	89424	Other Community Support Organization		subscriber
PLPT Modulares: Library	PLPT	301 SR 447	Nixon	NV	89424	Library		subscriber
PLPT Modulares: Diabetes Center	PLPT	301 SR 447	Nixon	NV	89424	Medical or Healthcare Provider		subscriber
PLPT Modulares: Children's Cabinet	Childrens Cabinet	301 SR 447	Nixon	NV	89424	Other Community Support Organization		subscriber
Pyramid Lake Police Department	PLPT	200 S. Hollywood R.	Nixon	NV	89424	Public Safety Entity		subscriber
Pyramid Lake Natural Resources and Environmental	PLPT	210 Capitol Hill Rd	Nixon	NV	89424	Other Government Facility		subscriber
Pyramid Lake Tribal Offices	PLPT	208 Capitol Hill Rd	Nixon	NV	89424	Other Government Facility		subscriber
Pyramid Lake Social Services	PLPT	214 Capitol Hill Rd	Nixon	NV	89424	Other Government Facility		subscriber
Pyramid Lake Housing Authority	PLPT	201 Capitol Hill Rd	Nixon	NV	89424	Other Government Facility		subscriber
Pyramid Lake Fisheries Administration	PLPT	603 Sutcliffe Dr	Sutcliffe	NV	89510	Other Government Facility		subscriber

Facility Name	Organization	Address Line 1	City	State	Zip	Facility Type	Minority Serving Institution Type	Project Role
Pyramid Lake Firestation	PLPT	678 Sutcliffe Dr	Sutcliffe	NV	89510	Other Government Facility		subscriber
Pyramid Lake Marina/Ranger Station	PLPT	2500 Lakeview Dr	Sutcliffe	NV	89510	Other Government Facility		subscriber

### BTOP CCI Network Points of Interest Detail Template

Title: **Pyramid Lake Paiute: Natukwena Nagwesenoo**  
Easy Grants ID: **#5374**

Facility Type	Address Line 1	City	State	Zip	Longitude	Latitude	Interconnection Available at this Location	Status in Proposed Network
Connection to Service Provider	Interstate 80 & SR 447	Wadsworth	NV	89442	-119.307	39.617	No	Existing - Other
Point of Interconnection	Pyramid St & SR 447	Wadsworth	NV	89442	-119.29	39.637	Yes	New for Proposed Network
Central Office	Tribal Office Building	Wadsworth	NV	89442	-119.357	39.83	Yes	Existing - Applicant/Partner Owned
Point of Interconnection	Fisheries Administration	Sutcliffe	NV	89442	-119.599	39.951	Yes	New for Proposed Network
Point of Interconnection	#3 Big Bend Rd	Wadsworth	NV	89442	-119.283	39.624	Yes	New for Proposed Network
Connection to Service Provider	Level 3 NOC	Reno	NV		-119.827	39.525	Yes	Existing - Other

## **BTOP Comprehensive Community Infrastructure Service Offerings and Competitor Data Template**

Please complete the complete the following worksheets--either of the Last Mile or Middle Mile Service Offerings worksheets may be omitted if the applicant is not proposing to provide that type.

For both the Last Mile and Middle Mile Service Offerings worksheets, the service of include all relevant tiers and markets (*e.g.* residential, business, wholesale). Applicants should ensure to include details on any services that would be offered at discounted rates to specific classes of customers (*e.g.* community anchor institutions or third party service providers).

In the Last Mile Service Offerings worksheet, applicants are required to provide estimated end user speeds. Average speeds should be the average sustained actual, non-burst end user would receive during a peak hour. For purposes of calculating these speeds, applicants should utilize their subscriber projections for year eight of the project, and develop utilization projections that are consistent with any additional services the applicant proposes. For wireless broadband services, this speed should be an average of the speeds available across the entire cell. Beyond these general guidelines, due to the multiplicity of technical solutions that may be proposed, the applicants may use discretion to determine the most reasonable method to estimate actual speeds on their network. Applicants should explain the underlying methodology used to calculate the average speeds in the space provided.

In the Competitor Data worksheet, applicants are required to provide data on both last mile and middle mile service providers, regardless of whether the applicant proposes to offer last mile and middle mile services. In the column titled Service Areas Where Service Offered, applicants should list all of the Last Mile and Middle Mile Service Areas within their Proposed Project area in which the listed services are available. Please ensure that the Service Areas are consistent with those provided within the application and the Service Areas upload. If the availability of the listed services is limited (*e.g.* the service is only available within a portion of the Last Mile or Middle Mile Service Area), note this in the Other Comments column.

In contrast to several other upload templates in this application, the data provided in these worksheets will NOT be subject to automated processing. These template worksheets are provided to demonstrate the level of data required and to provide a suggested format. Applicants may modify the template layouts in order to provide the most effective presentation of their specific project. Applicants should, however, ensure that they provide at least as much data as these templates require. To the extent that you modify these templates please ensure that the print layouts are adjusted so that rows do not break across pages in a manner that will be difficult to understand. A PDF of this file will be automatically generated upon upload to EasyForm; the default print settings will be used to format the PDF file.

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Proposed Last Mile Service Offerings

Name of Service Tier	Advertised Speeds		Estimated Average Speeds		Average Latency	Pricing Plan (\$ per month)	Other Comments/Description/Features or Limitations
	Downstream Mbps	Upstream Mbps	Downstream Mbps	Upstream Mbps	@ End User CPE milliseconds		

Explanation of Average Speed Calculations:

Proposed Middle Mile Service Offerings

Name of Service Offering	Distance Band or Point to Point	Minimum Peak Load Network Bandwidth Capacity (Mbps)	Monthly/Yearly Pricing (\$)	Other Comments/Description/Features or Limitations
Reno Circuit	Point to Point	N/A	\$300 / month for each	Customer obtains service from provider of choice - no restrictions on resale. Local loop charges may apply and Installation costs to be determined
Base Ethernet Service	Point to Point	5 mbps / 10 mbps	\$250 / month	
Fractional Metro E	Point to Point	10 mbps / 10 mbps	\$495/ month	Dedicated Service - no resale; 10% off base price for each additional 10 mbps increment. Local loop charges may apply and Installation costs to be determined
Metro E	Point to Point	100 mbps / 100 mbps	\$ 2,395 /month	Dedicated Service - no restrictions on resale
Tribal Services	Point to Multipoint	100 mbps / 100 mbps	\$ 1,300 / month	All Tribal Buildings and Anchor Institutions



# Competitor Data

## Competitor Data - Last Mile Service Providers

Service Provider	Service Areas Where Service Available	Technology Platform	Service Tiers	Downstream Speed	Monthly Pricing	Other Comments/Description/Features or Limitations

## Competitor Data - Middle Mile Service Providers

Service Provider	Service Areas Where Service Available	Technology Platform	Service Tiers	Distance Band or Point-to-Point	Minimum Peak Load Network Bandwidth Capacity	Pricing	Other Comments/Description/Features or Limitations
AT&T	Pyramid Lake Reservation - Towns of Wadsworth & Nixon	T1	T1	Point-to-Point	1.5mbps/1.5mbps	\$590 / month	managed router. Increments of service are priced as multiple of base price.
AT&T	Pyramid Lake Reservation - Towns of Wadsworth & Nixon	Reno Circuit	T1	Point-to-Point	N/A	\$360 / month	Circuit Charges only for T1 service

## **BTOP Comprehensive Community Infrastructure Service Area Template**

Please complete the complete the CCI Service Area worksheet. In each line you will provide name of a service area and one of the contiguous Census tracts or block groups that make up the service area. Please provide full 11-digit Census tract numbers, includes the 2-digit State FIPS code, the 3-digit county code, followed by a unique 6-digit tract number. For Census block group please provide the full tract number, plus the 1-digit block group number (12 digits total). If there is more than one Census tract or block group in a service area, there will be multiple lines in the table for that service area. It is critical that the service area names provided in this table match the service area names provided in the Service Area Details page of the application. Please review the application document and Service Area Details page for consistency before submitting your application.

Important Note: Excel truncates leading zeros from numbers. Consequently, the tract/block group column on the worksheet has been formatted as text. This formatting should not be altered as the validity of your data may be compromised.

The data provided via this attachment will be subject to automated processing. Applicants are therefore required to provide this attachment as an Excel file, and not to convert it to a PDF. When submitting a copy of your application on an appropriate electronic medium, such as a DVD, CD-ROM, or flash drive. Additionally, Applicants should not modify the format of this file (*e.g.*, by adding or removing worksheets). Do not leave blank lines in the table between service area

### **EXAMPLE**

Service Area Name	Tract or Block Group #
Big BB Project South	01001020100
Big BB Project South	01001020100
Big BB Project South	010010202001
Big BB Project West	01001020400
Big BB Project North	01001020800
Big BB Project North	010010209002

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## BTOP CCI Service Area Template

Title:	Pyramid Lake Paiute: Natukwena Nagwesenoo
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Easy Grants ID: # 5374

[illegible]

**Project Plan**

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- Use the following table to list the major network build-out phases and milestones that can demonstrate that your entire project will be substantially complete by the end of Year 2 and fully complete by the end of Year 3. This is to be done at the aggregate level (combining all proposed funded service areas.)
- Indicated how the milestones listed below will demonstrate these completion objectives. The applicant should consider such project areas as: a) network design; b) securing all relevant licenses and agreements; c) site preparation; d) inside plant deployment; e) outside plan deployment; f) deployment of business & operational support systems; g) network testing; f) network operational. The applicant may provide any other milestones that it believes showcase progress.
- Project inception (Year 0) starts at the date when the applicant receives notice that the project has been approved for funding.
- In the table, provide any information (e.g., facts, analysis) to: a) demonstrate the reasonableness of these milestones; b) substantiate the ability to reach the milestones by the quarters indicated.

**Easygrants: 5374**  
**Project Title:** Pyramid Lake Paiute

Time Period	Quarter	List All Relevant Milestones	Support for Reasonableness/Data Points

Easygrants: 5374

Project Title: Pyramid Lake Paiute

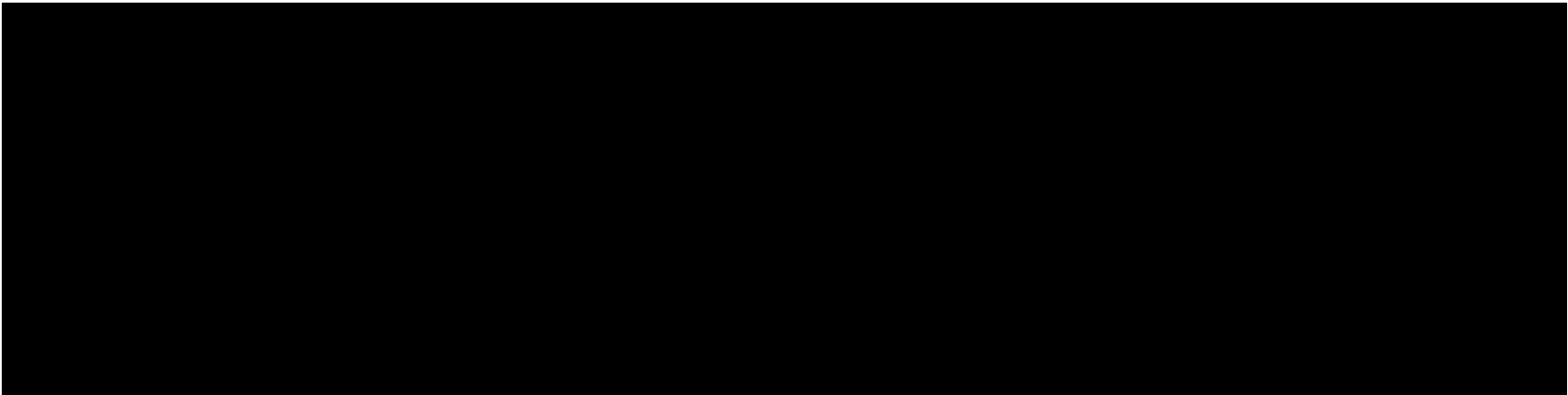
Time Period	Quarter	List All Relevant Milestones	Support for Reasonableness/Data Points
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KEY CHALLENGES AND MITIGATION PLANS

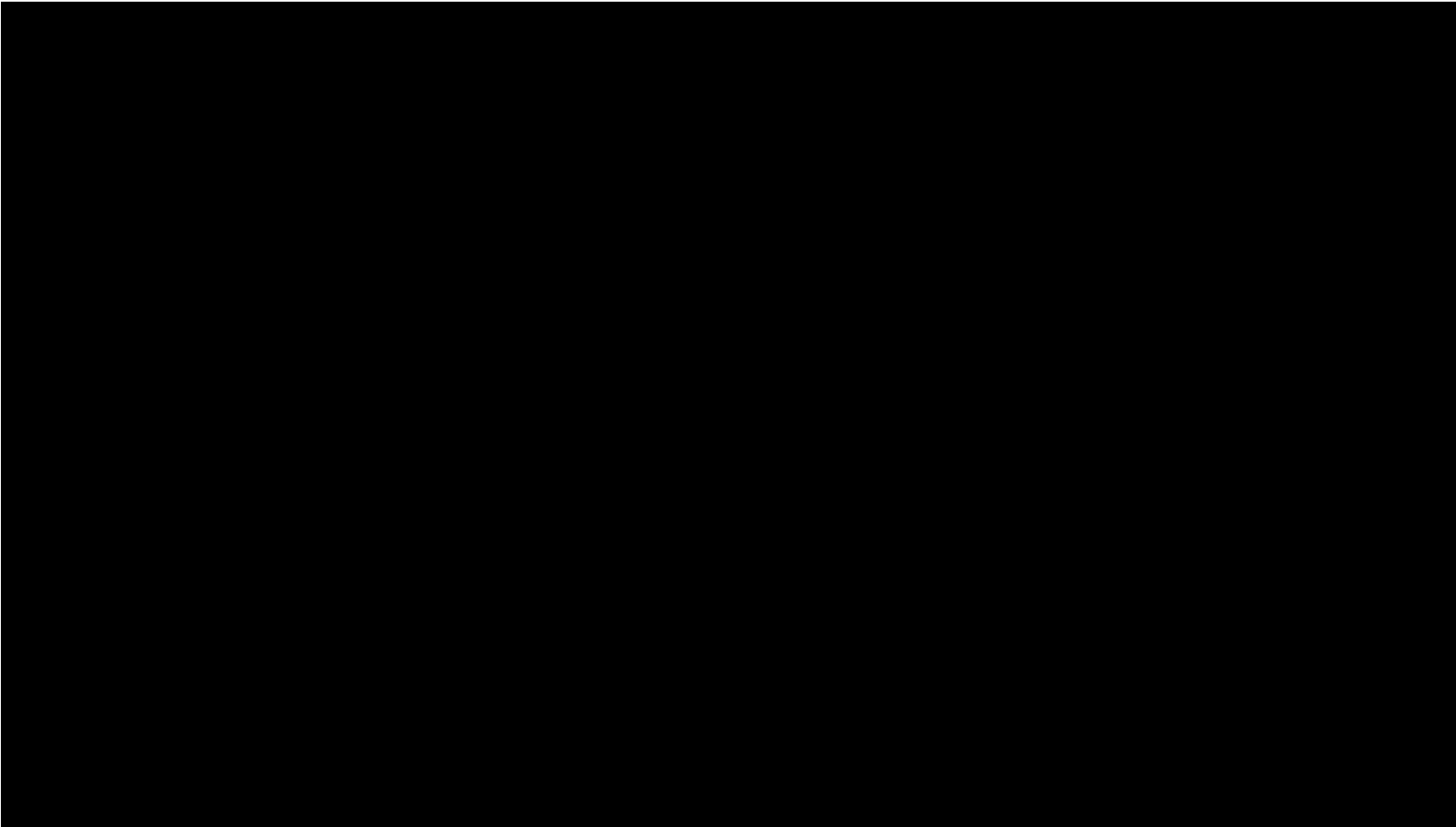
Easygrants: 5374

Project Title: Pyramid Lake Paiute



Easygrants: 5374

Project Title: Pyramid Lake Paiute





## Build-out Timeline

Complete the following schedule for *each* Last Mile or Middle Mile Service Area to note the degree of build-out, based on: a) infrastructure funds awarded; b) entities passed (households, businesses, and community anchor institutions.). In addition, please complete a schedule that aggregates the build-out timeline across all of the Proposed Funded Service Area.

Easygrants:5374

Project Title: Pyramid Lake Paiute

Service Area	Pyramid Lake Paiute Reservation												
	YEAR 0	YEAR 1				YEAR 2				YEAR 3			
		Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4
Infrastructure Funds													
Infrastructure Funds Advanced	360,000	1,633,717	1,633,717	1,633,717	1,633,717	1,633,717							
Percentage of Total Funds	0.0422	19.15	19.15	19.15	19.15	19.15							
Entities Passed & %													
Households						0							
Percentage of Total Households						0							
Businesses						8							
Percentage of Total Businesses						100							
Community Anchor Institutions						29							
Percentage of Total Institutions						100							

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**U.S. Department of Commerce  
Broadband Technology Opportunities Program  
Authentication and Certifications**

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1. I certify that I am the duly Authorized Organization Representative (AOR) of the applicant organization, and that I have been authorized to submit the attached application on its behalf.
2. I certify that I have examined this application, that all of the information and responses in this application, including certifications, and forms submitted, all of which are part of this grant application, are material representations of fact and true and correct to the best of my knowledge, that the entity(ies) that is requesting grant funding pursuant to this application and any subgrantees and subcontractors will comply with the terms, conditions, purposes, and federal requirements of the grant program; that no kickbacks were paid to anyone; and that a false, fictitious, or fraudulent statements or claims on this application are grounds for denial or termination of a grant award, and/or possible punishment by a fine or imprisonment as provided in 18 U.S.C. §1001 and civil violations of the False Claims Act.
3. I certify that the entity(ies) I represent have and will comply with all applicable federal, state, and local laws, rules, regulations, ordinances, codes, orders and programmatic rules and requirements relating to the project. I acknowledge that failure to do so may result in rejection or deobligation of the grant or loan award. I acknowledge that failure to comply with all federal and program rules could result in civil or criminal prosecution by the appropriate law enforcement authorities.
4. I certify that the entity(ies) I represent has and will comply with all applicable administrative and federal statutory, regulatory, and policy requirements set forth in the Department of Commerce Pre-Award Notification Requirements for Grants and Cooperative Agreements ("DOC Pre-Award Notification"), published in the Federal Register on February 11, 2008 (73 FR 7696), as amended; DOC Financial Assistance Standard Terms and Conditions (Mar. 8, 2009); the Department of Commerce American Recovery and Reinvestment Act Award Terms (Apr. 9, 2009); and any Special Award Terms and Conditions that are included by the Grants Officer in the award.
5. I certify that any funds awarded to the entity(ies) I represent as a result of this application will not result in any unjust enrichment of such entity(ies) or duplicate any funds such entity(ies) receive under federal universal service support programs administered by the Universal Service Administrative Corporation (USAC).
6. I certify that the entity(ies) I represent has secured access to pay the 20% of total project cost or has petitioned the Assistant Secretary of NTIA for a waiver of the matching requirement.

03/26/10  
Date

  
Authorized Organization Representative Signature

Mervin Wright Jr.  
Print Name

Pyramid Lake Paiute Tribe, Chairman  
Title

## **BTOP Comprehensive Community Infrastructure Pro Forma Financial Projections**

Please complete the Income Statement, Balance Sheet, Cash Flows, and NPV-IRR Table worksheets. Key assumptions used to formulate these financial projections should be listed in the Key Assumptions worksheet. Please note that these are **project-specific** projections, in contrast to the historical financial information which is provided at the organizational level.

**Please refer to the Comprehensive Community Infrastructure Grant Guidance for detailed instructions on the completing this upload.**

Applicants are required to provide this upload as an Excel file, and not to convert it to a PDF prior to upload. Applicants may make adjustments to the format of the templates as necessary to provide the most effective presentation of the data for their specific project, but should not remove major headings (*e.g.* Revenues and Expenses on the Income Statement) or provide less detailed information than would be required to complete the provided templates.

# Income Statement

	Forecast Period							
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
<b>Revenues</b>								
Broadband Offerings								
Wholesale Data	\$ -	\$ 1,800	\$ 35,940	\$ 35,940	\$ 35,940	\$ 64,680	\$ 93,420	\$ 93,420
Retail Data	\$ -	\$ 11,700	\$ 37,140	\$ 37,140	\$ 54,960	\$ 78,720	\$ 103,080	\$ 126,240
Dark Fiber	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Collocation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other (list specific services)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Network Driven Revenues								
Video Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Voice Services (local/toll/long distance)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other (list specific services)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Universal Service Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Installation Revenues	\$ -	\$ -	\$ 2,500	\$ -	\$ 2,500	\$ 2,500	\$ 3,500	\$ 3,500
Grant Revenues	\$ 8,468,567							
In-Kind Contribution	\$ 2,590,000							
Other Revenues ( )	\$ -	\$ 32,500	\$ 65,000	\$ 65,000	\$ 85,000	\$ 85,000	\$ 95,000	\$ 95,000
65 % of Tribe's budget for Network Ops								
<b>Total Revenues</b>	<b>\$ 11,058,567</b>	<b>\$ 46,000</b>	<b>\$ 140,580</b>	<b>\$ 138,080</b>	<b>\$ 178,400</b>	<b>\$ 230,900</b>	<b>\$ 295,000</b>	<b>\$ 318,160</b>
<b>Expenses</b>								
Backhaul	\$ -	\$ 7,800	\$ 15,600	\$ 15,600	\$ 15,600	\$ 31,200	\$ 46,800	\$ 46,800
Network Maintenance/Monitoring	\$ -	\$ 9,000	\$ 35,000	\$ 35,000	\$ 50,000	\$ 75,000	\$ 75,000	\$ 105,000
Utilities	\$ -	\$ 250	\$ 250	\$ 250	\$ 250	\$ 250	\$ 250	\$ 250
Leasing	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales/Marketing	\$ -	\$ 500	\$ 7,500	\$ 2,500	\$ 5,000	\$ 5,000	\$ 8,000	\$ 8,000
Customer Care	\$ -	\$ 1,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 15,000	\$ 15,000	\$ 15,000
Billing	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Corporate G&A	\$ -	\$ 10,990	\$ 10,990	\$ 10,990	\$ 12,430	\$ 12,430	\$ 12,430	\$ 12,430
In-Kind Expense	\$ 2,590,000							
Other Operating Exp (Sales & ExciseTax)	\$ -	\$ 386	\$ 386	\$ 386	\$ 386	\$ 1,545	\$ 1,545	\$ 1,545
<b>Total</b>	<b>\$ 2,590,000</b>	<b>\$ 29,926</b>	<b>\$ 79,726</b>	<b>\$ 74,726</b>	<b>\$ 93,666</b>	<b>\$ 140,425</b>	<b>\$ 159,025</b>	<b>\$ 189,025</b>
<b>EBITDA</b>	<b>\$ 8,468,567</b>	<b>\$ 16,074</b>	<b>\$ 60,854</b>	<b>\$ 63,354</b>	<b>\$ 84,734</b>	<b>\$ 90,475</b>	<b>\$ 135,975</b>	<b>\$ 129,135</b>
Depreciation	\$ -	\$ 603,196	\$ 1,206,392	\$ 1,206,392	\$ 945,894	\$ 945,894	\$ 945,894	\$ 945,894
Amortization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Earnings Before Interest and Taxes</b>	<b>\$ 8,468,567</b>	<b>\$ (587,122)</b>	<b>\$ (1,145,538)</b>	<b>\$ (1,143,038)</b>	<b>\$ (861,160)</b>	<b>\$ (855,419)</b>	<b>\$ (809,919)</b>	<b>\$ (816,759)</b>
Interest Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Income Before Taxes</b>	<b>\$ 8,468,567</b>	<b>\$ (587,122)</b>	<b>\$ (1,145,538)</b>	<b>\$ (1,143,038)</b>	<b>\$ (861,160)</b>	<b>\$ (855,419)</b>	<b>\$ (809,919)</b>	<b>\$ (816,759)</b>
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Income Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Net Income</b>	<b>\$ 8,468,567</b>	<b>\$ (587,122)</b>	<b>\$ (1,145,538)</b>	<b>\$ (1,143,038)</b>	<b>\$ (861,160)</b>	<b>\$ (855,419)</b>	<b>\$ (809,919)</b>	<b>\$ (816,759)</b>

# Balance Sheet

	Forecast Period							
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
<b>Assets</b>								
<b>Current Assets</b>								
Cash	\$ -	\$ 16,074	\$ 76,928	\$ 140,282	\$ 225,016	\$ 315,491	\$ 451,466	\$ 580,601
Accounts Receivable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Notes Receivable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Inventory	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Prepayments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Current Assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Current Assets</b>	\$ -	\$ 16,074	\$ 76,928	\$ 140,282	\$ 225,016	\$ 315,491	\$ 451,466	\$ 580,601
<b>Non-Current Assets</b>								
Long-Term Investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Amortizable Asset (Net of Amortization)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plant in Service	\$ 8,468,567	\$ 8,468,567	\$ 8,468,567	\$ 8,468,567	\$ 8,468,567	\$ 8,468,567	\$ 8,468,567	\$ 8,468,567
Less: Accumulated Depreciation	\$ -	\$ 603,196	\$ 1,809,588	\$ 3,015,980	\$ 3,961,874	\$ 4,907,768	\$ 5,853,662	\$ 6,799,556
<b>Net Plant</b>	\$ -	\$ 7,865,371	\$ 6,658,979	\$ 5,452,587	\$ 4,506,693	\$ 3,560,799	\$ 2,614,905	\$ 1,669,011
Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Non-Current Assets</b>	\$ 8,468,567	\$ 7,865,371	\$ 6,658,979	\$ 5,452,587	\$ 4,506,693	\$ 3,560,799	\$ 2,614,905	\$ 1,669,011
<b>Total Assets</b>	\$ 8,468,567	\$ 7,881,445	\$ 6,735,907	\$ 5,592,869	\$ 4,731,709	\$ 3,876,290	\$ 3,066,371	\$ 2,249,612
<b>Liabilities and Owners' Equity</b>								
<b>Liabilities</b>								
<b>Current Liabilities</b>								
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Notes Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Current Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Current Liabilities</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Long-Term Liabilities</b>								
Long Term Notes Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Long Term Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Long-Term Liabilities</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Liabilities</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Owner's Equity</b>								
Capital Stock	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Additional Paid-In Capital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Retained Earnings	\$ 8,468,567	\$ 7,881,445	\$ 6,735,907	\$ 5,592,869	\$ 4,731,709	\$ 3,876,290	\$ 3,066,371	\$ 2,249,612
<b>Total Equity</b>	\$ -	\$ 7,881,445	\$ 6,735,907	\$ 5,592,869	\$ 4,731,709	\$ 3,876,290	\$ 3,066,371	\$ 2,249,612
<b>Total Liabilities and Owner's Equity</b>	\$ -	\$ 7,881,445	\$ 6,735,907	\$ 5,592,869	\$ 4,731,709	\$ 3,876,290	\$ 3,066,371	\$ 2,249,612



## Statement of Cash Flows

	Forecast Period							
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
<b>Beginning Cash</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>								
Net Income	8,468,567	(587,122)	(1,145,538)	(1,143,038)	(861,160)	(855,419)	(809,919)	(816,759)
<i>Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities</i>								
Add: Depreciation	-	603,196	1,206,392	1,206,392	945,894	945,894	945,894	945,894
Add: Amortization	-	-	-	-	-	-	-	-
<i>Changes in Current Assets and Liabilities:</i>								
Marketable Securities	-	-	-	-	-	-	-	-
Accounts Receivable	-	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-	-
Prepayments	-	-	-	-	-	-	-	-
Other Current Assets	-	-	-	-	-	-	-	-
Accounts Payable	-	-	-	-	-	-	-	-
Other Current Liabilities	-	-	-	-	-	-	-	-
<b>Net Cash Provided (Used) by Operations</b>	\$ 8,468,567	\$ 16,074	\$ 60,854	\$ 63,354	\$ 84,734	\$ 90,475	\$ 135,975	\$ 129,135
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>								
Capital Expenditures	(8,468,567)	-	-	-	-	-	-	-
Amortizable Asset (Net of Amortization)	-	-	-	-	-	-	-	-
Long-Term Investments	-	-	-	-	-	-	-	-
<b>Net Cash Used by Investing Activities</b>	\$ (8,468,567)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>								
Notes Receivable	-	-	-	-	-	-	-	-
Notes Payable	-	-	-	-	-	-	-	-
Principal Payments	-	-	-	-	-	-	-	-
New Borrowing	-	-	-	-	-	-	-	-
Additional Paid-in Capital	-	-	-	-	-	-	-	-
Additions to Patronage Capital Credits	-	-	-	-	-	-	-	-
Payment of Dividends	-	-	-	-	-	-	-	-
<b>Net Cash Used by Investing Activities</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Net Increase (Decrease) in Cash</b>	\$ -	\$ 16,074	\$ 60,854	\$ 63,354	\$ 84,734	\$ 90,475	\$ 135,975	\$ 129,135
<b>Ending Cash</b>	\$ -	\$ 16,074	\$ 76,928	\$ 140,282	\$ 225,016	\$ 315,491	\$ 451,466	\$ 580,601

## NPV/IRR Table

	Net Present Value	Internal Rate of Return
Without BTOP Funding	-\$10,324,724.00	NaN
With BTOP Funding	\$516,999.00	NaN

Revenue Assumptions		
Factor	Specific Metric Used in Analysis	Rationale (Cite Basis)
Customers Passed		
Anchor Institutions - Segment A	\$250 per month or \$4.95 per 10mbps with 10% off each additional mbps	Base ethernet service 10 mbps \$250 per month not for resale includes a shared bandwidth Fractional Metro E includes 10mbps for \$4.95 per month with 10% off of each additional increment.
Anchor Institutions - Segment B		
Businesses	\$2,395 per month	Metro E \$2,395 per month includes 100 mbps dedicated or Reno Circuit only \$300 per month allows you to purchase other vendor circuit
Other	\$1,300 per month	100 mbps \$1,300 per month for Pyramid Lake Paiute Tribal governmental entity
Take Rate (should likely vary across 8-Year Forecast)		
Anchor Institutions - Segment A	High School, Clinic, Childrens Cabinet, Headstart, Nevada Skies, Natchez Elementary	All Schools and other facilities on the reservation will utilize the service
Anchor Institutions - Segment B		
Businesses	Third Party Service Provider	Marketing will be done to attract these customers
Other	100% all Tribal Governmental entities will be using the service	All Governmental entities will utilize the service
Direct Customer Connections		
Customer Segment A	Connection already established	Outdated service being used and need for new service is being sought
Customer Segment B		
Businesses	Marketing will be utilized to establish new customers	Advertising in local publications and website will be utilized
Other	Connection already established	Outdated service being used and need for new service is being sought
Average Revenue per User (may vary across 8-year forecast)		
Anchor Institutions - Segment A	\$20,500	\$250 for 2nd year last 2 quarters and 6 years for an average of 4 customers
Anchor Institutions - Segment B		
Businesses	\$689,800	\$2,395 for 1 business for 6 years, Business park will open in Y5 and anticipated growth is 2 business every 6 months also includes (3) 3rd Party service provider starting Y6 starting at \$57,480 per year with a 30% growth due to increased business population in neighboring communities
Other	\$7,150	Tribal entity for 5 1/2 years

Expense Assumptions		
Factor	Specific Metric Used in Analysis	Rationale (Cite Basis)
Network Expenses		
Backhaul	\$179,400	Band width expense Y2 \$7,800, Y3 & Y4& Y5 \$15,600, Y6 \$31,200 & Y7 & Y8 \$46,800 Increase to meet customer demand
Maintenance	\$384,000	P/T \$75,000 Y8 \$105,000 2 emps F/T Increase in expense due to increase in Labor charges for the overall network
Utilities	\$1,625	Average of \$250 for 7 years
Leasing	\$3,000	Leasing a property in Reno for Colocation
Depreciation		
Other		
Sales & Marketing		
Advertising	\$36,500	Advertising dollars will be used in local publications, website advertising and website development
Other		
Customer Care & Billing		
Systems		
Personnel	\$76,000	P/T employee
Other		
General & Administrative		
Professional Services		
Insurance	\$87,920	Huts Insured Value \$242,000 Annual Premium \$590, Servers Insured Value \$1,411,000 Annual Prem \$3,300, Underground Fiber Optic Insured Value \$2,300,000 Annual Prem #5,400, Workers Comp PR Amt \$55,000 Annual Prem \$1,200 for Y1-3, PR \$110.00 Annual Prem \$2,640 for Y4-8, Gen Liab Insured \$6M based on \$90K Gross Receipts Annual Prem \$500 Total Annual Prem \$10,990
Non-Network Utilities		
Travel		
Supplies		
Miscellaneous		
Interest Expenses		
Debt Instrument A		
Debt Instrument B		
Taxes		
Federal Tax Rate		
Other Tax Rates	\$219,877	7.725% Tax on materials of \$2,771,311 to the PLPT Tax Department and Equipment of \$5000 for Y3-Y5 and \$20,000 Equip for Y6-Y8





**Financial Statements and Independent Auditors' Report**

**PYRAMID LAKE PAIUTE TRIBE**

**December 31, 2007**

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## INDEPENDENT AUDITORS' REPORT

### **To the Tribal Council Pyramid Lake Paiute Tribe**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Pyramid Lake Paiute Tribe (the "Tribe"), as of and for the year ended December 31, 2007, which collectively comprise the basic financial statements of the Tribe as listed in the table of contents. These financial statements are the responsibility of the Tribe's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Pyramid Lake Housing Authority or the Pyramid Lake Fisheries, which collectively represent 30% and 16% of the net assets and revenues, respectively, of the Tribe. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Pyramid Lake Housing Authority and the Pyramid Lake Fisheries is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

Management has not included the enterprise funds of the Tribe in the Tribe's financial statements. Accounting principles generally accepted in the United States of America require the enterprise funds to be presented and financial information about the enterprise funds to be part of the business-type activities, thus increasing that activity's assets, liabilities, revenues, and expenses, and changing its net assets. The amount by which this departure would affect the assets, liabilities, net assets, revenues, and expenses of the business-type activities and the omitted major fund is not reasonably determinable.

In our opinion, because of the omission of the enterprise funds, as discussed above, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the enterprise funds of the Tribe, as of December 31, 2007, or the changes in financial position or cash flows thereof for the year then ended.

In addition, in our opinion, except for the effects of not including financial information for the enterprise funds as part of the business-type activities, as described above, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Pyramid Lake Paiute Tribe as of December 31, 2007, and the respective changes in financial position 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 December 12, 2008, on our consideration of the Tribe'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 important for assessing the results of our audit.

The budgetary comparison information on page 41 is not a required part of the basic financial statements but is 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 Tribe's basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements of the Tribe. The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*The CFO Group, Inc.*

Reno, Nevada

December 12, 2008

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The Tribe's management provides Management's Discussion and Analysis as a tool for readers of the Tribe's financial statements for the year ended December 31, 2007. Readers of the Tribe's financial statements are encouraged to utilize this information in conjunction with the information provided in the accompanying basic financial statements and disclosure following this section.

### FINANCIAL HIGHLIGHTS- PRIMARY GOVERNMENT

- The Tribe's assets exceeded its liabilities at the end of the year 2007 by \$115 million (net assets). Of the total amount, there is a deficit of \$1.8 million in unrestricted net assets.
- The Tribe's overall liabilities decreased by approximately \$1.5 million to \$12 million.
- The net assets increased by approximately \$6 million, which is largely attributable to a decrease in expenditures and an increase in revenues from investments.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the Tribe's basic financial statements. The Tribe's basic financial statements are comprised of government-wide financial statements, fund financial statements, and notes to the basic financial statements. A brief description of the basic financial statements follows:

#### Basic Financial Statements

The basic financial statements include two types of financial statement that present different views of the Tribe, the *Government-Wide Financial Statements* and the *Fund Financial Statements*. The basic financial statements also include *Notes to Basic Financial Statements*, which explain and provide additional detail about some of the information contained in the statements.

#### Government-Wide Financial Statements

The *Government-Wide Financial Statements* provide a broad overview of the Tribe's finances and operation in a manner similar to private-sector business. The statements provide information about the Tribe's financial position on both a short-term and long-term basis. The statements are prepared using the accrual basis of accounting and an economic resources management focus. The government-wide financial statements include the Statement of Net Assets and the Statement of Activities.

The *Statement of Net Assets* presents the assets and liabilities for the entire Tribe, with the difference reported as "net assets." Increases and decreases in net assets over time can serve as an indicator of the improvement or decline in the Tribe's financial position.

The *Statement of Activities* presents information about how the Tribe's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of when the related cash flows occur. Utilizing this method, revenues and expenses are reported when earned and incurred, rather than when cash is received or expended.

The financial statements include separate sections for two different types of activities. The two types are as follows:

*Governmental Activities* – This section presents information about activities supported by intergovernmental revenues (state and federal grants), and private grants. The services provided by the Tribe's government generally fall into this category, including Tribal government, health services, education services, human services, community services, and other tribal services.

*Discretely Presented Component Units* – These are the operations for which the Tribe has financial accountability, but have certain independent qualities, such as an independent Board of Directors. For the most part, these units operate similar to private –sector businesses.

The Tribe's discretely presented component units are:

- Pyramid Lake Housing Authority
- Pyramid Lake Fisheries

The government-wide financial statements can be found immediately following this discussion and analysis.

## **Fund Financial Statements**

A fund is a group of related accounts that is used to maintain control over resources that have been separated for specific activities or objectives. The Tribe, like state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The fund financial statements focus on individual activities of the Tribe's government, providing more detail than the government-wide financial statements. The funds of the Tribe, divided into two types of funds are:

*Governmental Funds* - Most of the services provided by the Tribe are financed and reported through the governmental funds. Governmental funds are used to account for the same governmental functions as reported in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on the near-term inflows and outflows of expendable resources. These fund statements also focus on the balances of expendable resources available at the end of the year. This approach to financial reporting is known as using the flow of current financial resources and the modified accrual basis of accounting. This method may be useful in evaluating the government's near-term financial requirements. These statements provide a short-term view of the Tribe's finances that assists in determining if there will be sufficient financial resources to meet the current needs of the Tribe.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the readers may better understand the long-term impact of the government's near-term financing decisions. The Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Change in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Tribe maintains six major governmental funds, each presented in a separate column in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Change in Fund Balances. The Tribe's six major governmental funds are the General, Investment Trust, Bureau of Indian Affairs (BIA), Department of Health and Human Services (DHHS), Environmental Protection Agency (EPA), and Department of Energy. In addition, the Tribe maintains seven non-major funds which accounts for other governmental activity.

*Fiduciary Funds/ Retirement Trust Fund* – Fiduciary funds are used to account for assets held by the Council in a trustee capacity or as an agent for individuals, private organizations, other government units, and/or other funds. The Tribe's fiduciary fund is the Retirement Trust Fund. This Fund accounts for the Tribe's 401(k) retirement plan, see Note F of the financial statements.

## Notes to Basic Financial Statements

The notes to basic financial statements provide additional information that is essential for a full understanding of the data provided in the government-wide and the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

### Net Assets

The following table summarizes the Tribe's net assets at December 31, 2007 for Governmental Activities.

#### Net Assets- Governmental Activities

	2007	2006	Change	Percentage
Current Assets	\$ 101,157,680	\$ 96,556,554	\$ 4,601,126	4.77%
Capital Assets	26,664,930	26,588,848	76,082	0.29%
<b>Total Assets</b>	<b>127,822,610</b>	<b>123,145,402</b>	<b>4,677,208</b>	<b>3.80%</b>
Current Liabilities	12,335,369	13,527,614	(1,192,245)	-8.81%
Invested in capital assets, net of related debt	26,664,930	26,588,848	76,082	0.29%
Restricted	90,632,865	84,249,539	6,383,326	7.58%
Unrestricted	(1,810,554)	(1,220,599)	(589,955)	48.33%
<b>Total Net Assets</b>	<b>\$ 115,487,241</b>	<b>\$ 109,617,788</b>	<b>\$ 5,869,453</b>	<b>5.35%</b>

As of December 31, 2007, approximately \$27 million of the net assets balance represents investment in capital assets, net of related debt. Restricted net assets represent external restrictions placed upon assets of the Tribe. The largest category of restricted net assets is related to net assets restricted for specific program purposes. Of the total net assets, there is a deficit of approximately \$1.8 million that is reported as unrestricted net assets.

### Change in Net Assets

The Tribe's net assets increased by \$5,869,453 or (5.35%), during the year. Total revenues for the year ended December 31, 2007 were approximately \$20 million. Total expenses of the Tribe were approximately \$15 million, which cover a variety of services. Approximately 28% of the total expenses were for Natural Resources for the Tribe. In total, governmental-type revenue exceeded expenses by approximately \$6 million resulting in an increase in net assets.



### Change in Net Assets- Governmental Activities

	2007	2006	Change	Percentage
Program Revenue:				
Charges for service	\$ 3,822,129	\$ 4,269,210	\$ (447,081)	-10.47%
Operating grants and contributions	9,855,284	10,266,283	(410,999)	-4.00%
General Revenue:				
Investment income	6,161,413	3,985,921	2,175,492	54.58%
Taxes	457,296	440,157	17,139	3.89%
<b>Total Revenue</b>	<u>20,296,122</u>	<u>18,961,571</u>	<u>1,334,551</u>	<u>7.04%</u>
Expenses:				
General	3,166,918	4,841,024	(1,674,106)	-34.58%
Education	2,810,435	2,813,922	(3,487)	-0.12%
Natural resources	4,392,557	3,277,310	1,115,247	34.03%
Health and welfare	1,816,553	1,665,048	151,505	9.10%
Public safety	1,214,069	1,465,588	(251,519)	-17.16%
Social services	1,262,149	1,052,289	209,860	19.94%
Judicial services	299,062	264,273	34,789	13.16%
Culture and recreation	262,155	230,853	31,302	13.56%
Roads and transportation	206,678	141,740	64,939	45.82%
<b>Total Expenses</b>	<u>15,430,576</u>	<u>15,752,047</u>	<u>(321,471)</u>	<u>-2.04%</u>
Change in Net Assets	4,865,546	3,209,524	1,656,022	51.60%
Net Assets, Beginning of Year	109,617,788	110,921,302	(1,303,514)	-1.18%
Prior Period Adjustment	1,003,907	(4,513,038)	5,516,945	-122.24%
Net Assets, End of Year	<u>\$ 115,487,241</u>	<u>\$ 109,617,788</u>	<u>\$ 5,869,453</u>	<u>5.35%</u>

The increase in net assets in 2007 is largely attributable to increase in investment income and a decrease in expenditures. The more significant increases in expenses in the year 2007 as compared to the year 2006 are as follows:

Investment Income –The increase is attributed to higher interest rates in 2007 and the transfer of the water settlement investment funds to a high yield investment account.

General - In 2006 an additional \$813,579 was spent in litigation than in 2007. Audits fees were greatly reduced in 2007 due to the audit not being completed. In the last quarter of 2007, it was requested by the Tribal Council that General Fund programs reduce their spending by 20%. This reduction was requested because of projected shortfall by the Finance department at that time.

Natural Resources - The difference is attributed to the decrease in the cost per acre foot of water. In 2006 96.45 acres feet of water was purchased for \$1,579,650 whereas in 2007 217.22 acres feet of water was purchased for \$3,757,634.

Roads & Transportation - Depreciation expense increased by \$48,000 in 2007. Payroll expenses increased by \$18,069 due to overtime and increased benefits costs. Fuel costs also increased due to the increase in the cost for fuel.

## CAPITAL ASSETS

The Tribe's capital assets, net of depreciation, as of December 31, 2007 were \$26,664,930. The following table presents details of the Tribe's capital assets, net of depreciation:

Capital Assets (Net of Depreciation) December 31, 2007	
	<u>December 31, 2007</u>
Non-depreciable	
Land	\$10,589,419
Museum artifacts	86,700
Depreciable	
Land improvements	5,091,850
Infrastructure	7,564,595
Buildings	16,572,628
Machinery and equipment	4,805,648
Total cost	<u>44,710,840</u>
Less: accumulated depreciation	<u>(18,045,910)</u>
	<u>\$26,664,930</u>

Additional information on the Tribe's capital assets can be found in Note D of this report.

## SIGNIFICANT BUDGET VARIATIONS

The Tribe's significant General Fund budget variations in 2007 were as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Change</u>	<u>Percentage</u>
Revenue:				
Investment income	\$ 365,000	\$ 74,611	\$ (290,389)	-389.20%
Indirect	1,611,542	2,230,546	619,004	27.75%
Program income	1,007,539	901,514	(106,025)	-11.76%
Permits and fees	761,047	968,538	207,491	21.42%
Taxes	331,210	457,296	126,086	27.57%
Expenses:				
General	3,215,408	2,553,536	(661,872)	-25.92%
Education	215,000	160,617	(54,383)	-33.86%
Natural resources	136,210	791,689	655,479	82.80%

The Tribal Council approves a comprehensive annual budget prior to the beginning of the year. During the year, budget modifications are submitted to Council based on changes in levels of actual revenue and expenses. Significant variances between actual and final budget are as follows:

#### General Fund Revenues:

Investment income – The difference is attributed to an overstatement in the budgeted amount due to the budgeted figure includes both general fund and BIA trust investment income whereas this line item should only include general fund income.

Indirect income- The difference is attributed to the change in budgeted indirect income rate of 19.69% whereas the actual rate was 39.33%.

Program income – The difference is attributed to budgeted gaming revenues overestimated by \$60,000. In addition PLHA user fees revenues were also overestimated by \$30,000.

Permits and fees- The difference is attributed to the understatement of budgeted revenue as budgeted revenue did not include cattle range fees of \$42,000. In addition to this boating and skiing permit revenue exceeded the budgeted revenue by \$56,000. Camping fees and fishing fees also exceeded budgeted revenue expectations by \$39,000 and \$56,000 respectively.

Taxes – The difference is attributed to higher than expected number of taxable transactions therefore actual revenues exceeded budgeted revenues by approximately \$126,000.

#### General Fund Expenditures:

General government – The difference between budgeted and actual is attributed to a credit of \$542,810 for bad debt provision that was not forecasted.

Education – The difference is attributed to the tribal budget incorrectly including payroll costs associated with funding a high school administrative assistant.

Natural Resources – The difference is attributed to the understatement in budgeted costs associated with contractual fees.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The Tribal Council has considered many factors when setting the annual 2007 Budget. Funding for the Pyramid Lake Paiute Tribal Council programs has remained relatively unchanged from the previous year. There are no major changes to Pyramid Lake Paiute Tribal Council programs. Water rights acquisition and management continue to be a priority.

### **CONTACTING THE TRIBE'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the Tribe's finances to its citizens, customers, creditors, and other interested parties. Please refer to the audited financial statements of the Pyramid Lake Housing Authority and the Pyramid Lake Fisheries, which collectively represent 30% and 16% of the net assets and revenues, respectively, of the Tribe. Questions concerning any of the information contained in this report or requests for additional financial information should be directed to the Tribe's Finance Office, 208 Capitol Hill Road, Nixon, Nevada 89424.

## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**Pyramid Lake Paiute Tribe**  
**STATEMENT OF NET ASSETS**  
**December 31, 2007**

**ASSETS**

	<b>Governmental Activities</b>	<b>Component Units</b>
<b>ASSETS</b>		
Unrestricted cash and cash equivalents	\$ 6,487,857	\$ 544,542
Unrestricted investments	368,483	2,038,499
Receivables		
Contracts and grants, net of allowances	3,288,133	121,447
Due from enterprise funds	155,797	-
Other	946,611	89,185
Participant receivables	-	10,484
Interest receivable	-	312,402
Inventory	-	10,815,624
Prepaid expenses	-	88,290
Property held for resale	699,900	-
Capital assets, net	26,664,930	2,303,037
Deposits	-	32,085
Restricted cash	16,945,712	586,103
Restricted investments	72,265,187	31,712,277
<b>TOTAL ASSETS</b>	<b>\$ 127,822,610</b>	<b>\$ 48,653,975</b>

**LIABILITIES AND NET ASSETS**

<b>LIABILITIES</b>		
Accounts payable	\$ 3,337,917	\$ 104,715
Accrued expenses	127,353	19,582
Deferred revenue	8,657,939	44,414
Tenant security deposits	-	4,700
Compensated absences	212,160	19,392
Capital leases	-	21,607
Deferred credits	-	400,550
Total liabilities	<u>12,335,369</u>	<u>614,960</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	26,664,930	2,281,430
Restricted	90,632,865	32,596,972
Unrestricted	(1,810,554)	13,160,613
Total net assets	<u>115,487,241</u>	<u>48,039,015</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 127,822,610</b>	<b>\$ 48,653,975</b>

See accompanying notes to these financial statements.

Pyramid Lake Paiute Tribe  
STATEMENT OF ACTIVITIES  
Year ended December 31, 2007

Functions/Programs	Program Revenues			Net (Expense)/ Revenue and Change in Net Assets	Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Total Governmental Activities	
<b>PRIMARY GOVERNMENT</b>					
Governmental activities					
General government	\$ 3,166,918	\$ 3,020,135	\$ 826,411	\$ 679,628	\$ -
Education	2,810,435	3,000	2,305,257	(502,178)	-
Natural resources	4,392,557	263,569	3,548,177	(580,811)	-
Health and welfare	1,816,553	206,872	1,381,614	(228,067)	-
Public safety	1,214,069	140,062	389,818	(684,189)	-
Social services	1,262,149	48,835	1,000,901	(212,413)	-
Judicial services	299,062	57,612	298,636	57,186	-
Culture and recreation	262,155	82,044	5,561	(174,550)	-
Roads and transportation	206,678	-	98,909	(107,769)	-
Total governmental activities	<u>\$ 15,430,576</u>	<u>\$ 3,822,129</u>	<u>\$ 9,855,284</u>	<u>(1,753,163)</u>	<u>\$ -</u>
<b>COMPONENT UNITS</b>	<u>\$ 3,016,313</u>	<u>\$ 221,319</u>	<u>\$ 1,436,268</u>		<u>\$ (1,358,726)</u>
<b>GENERAL REVENUES</b>					
Investment income				6,161,413	1,915,927
Taxes				457,296	-
Other local source income				-	134,309
Gain (loss) on sale of equipment				-	(40,797)
Total general revenues				<u>6,618,709</u>	<u>2,009,439</u>
<b>CHANGE IN NET ASSETS</b>				4,865,546	650,713
<b>NET ASSETS, beginning of year</b>				109,617,788	47,388,302
<b>PRIOR PERIOD ADJUSTMENT</b>				1,003,907	-
<b>NET ASSETS, end of year</b>				<u>\$ 115,487,241</u>	<u>\$ 48,039,015</u>

See accompanying notes to these financial statements.

**GOVERNMENTAL FUND FINANCIAL STATEMENTS**

Pyramid Lake Paiute Tribe  
BALANCE SHEET- GOVERNMENTAL FUNDS  
December 31, 2007

	General	Investment Trust	BIA	DHHS	EPA	Department of Energy	Aggregate Non-Major Funds	Total
<b>ASSETS</b>								
Unrestricted cash and cash equivalents	\$ -	\$ 495,564	\$ 3,795,354	\$ 332,311	-	-	\$ 1,864,628	\$ 6,487,857
Unrestricted investments	169,435	-	199,048	-	-	-	-	368,483
Receivables								
Contracts and grants, net of allowances	46,991	-	483,445	1,124,536	527,332	72,760	1,033,069	3,288,133
Due from other funds	-	-	-	-	-	-	-	-
Due from enterprise funds	155,797	-	-	-	-	-	-	155,797
Other	20,209	926,402	-	-	-	-	-	946,611
Inventory	-	-	-	-	-	-	-	-
Property held for resale	-	-	609,900	-	-	-	-	609,900
Restricted cash	-	16,945,712	-	-	-	-	-	16,945,712
Restricted investments	-	72,265,187	-	-	-	-	-	72,265,187
<b>TOTAL ASSETS</b>	<b>\$ 392,432</b>	<b>\$ 90,632,865</b>	<b>\$ 5,177,747</b>	<b>\$ 1,456,847</b>	<b>\$ 527,332</b>	<b>\$ 72,760</b>	<b>\$ 2,897,697</b>	<b>\$ 101,157,680</b>
<b>LIABILITIES AND FUND BALANCES</b>								
<b>LIABILITIES</b>								
Accounts payable	\$ 1,947,917	\$ -	\$ 480,836	\$ 38,159	\$ 210,359	\$ 70,346	\$ 590,300	\$ 3,337,917
Accrued expenses	56,816	-	27,759	20,892	7,619	2,414	11,853	127,553
Deferred revenue	215,491	-	4,752,248	1,397,796	309,354	-	1,983,050	8,657,939
Due to other funds	-	-	-	-	-	-	-	-
Total liabilities	2,220,224	-	5,260,843	1,456,847	527,332	72,760	2,585,203	12,123,209
<b>FUND BALANCES</b>								
Reserved	-	90,632,865	-	-	-	-	-	90,632,865
Unreserved	(1,827,792)	-	(83,096)	-	-	-	312,494	(1,598,394)
Total fund balances	(1,827,792)	90,632,865	(83,096)	-	-	-	312,494	89,034,471
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 392,432</b>	<b>\$ 90,632,865</b>	<b>\$ 5,177,747</b>	<b>\$ 1,456,847</b>	<b>\$ 527,332</b>	<b>\$ 72,760</b>	<b>\$ 2,897,697</b>	<b>\$ 101,157,680</b>

**RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO NET ASSETS ON STATEMENT OF NET ASSETS**

Governmental fund balances

\$ 89,034,471

Add governmental capital assets, which because they are not used in governmental funds, are not financial resources, and are therefore not reported in the fund

26,664,930

Less long term debt which is not due and payable in the current period and therefore not reported in the funds

(212,160)

**NET ASSETS OF GOVERNMENTAL ACTIVITIES**

\$ 115,487,241

See accompanying notes to these financial statements.



Pyramid Lake Paiute Tribe  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE- GOVERNMENTAL FUNDS  
Year ended December 31, 2007

	Major Funds						Aggregate		
	General	Investment Trust	BIA	DHHS	EPA	Energy	Nonmajor Funds	Total	
<b>REVENUES</b>									
Grants	\$ -	\$ -	\$ 6,101,137	\$ 1,548,013	\$ 911,934	\$ 283,357	\$ 1,204,700	\$ 10,051,141	
Investment income	74,611	6,086,634	-	-	-	-	168	6,161,413	
Indirect	2,230,346	-	-	-	-	-	-	2,230,346	
Other	776,356	296,692	233,366	(211,758)	200	21,791	31,689	1,148,336	
Waiver rights income	-	-	-	-	-	-	-	-	
Program income	901,514	-	28,279	391,988	-	-	-	1,321,781	
Permits and fees	968,538	-	-	-	-	-	-	968,538	
Taxes	457,296	-	-	-	-	-	-	457,296	
Rent and lease	187,618	-	-	-	-	-	-	187,618	
Total revenues	5,596,479	6,383,326	6,362,782	1,728,243	912,134	307,148	1,236,557	27,526,669	
<b>EXPENDITURES</b>									
Current									
General government	2,553,536	-	98,117	-	381,276	302,099	100,159	3,435,187	
Education	160,617	-	1,975,800	-	-	-	564,327	2,700,744	
Natural resources	791,689	-	3,820,843	-	448,183	-	-	5,060,715	
Health and welfare	212,083	-	-	1,648,711	37,991	-	-	1,898,785	
Public safety	806,906	-	380,895	-	-	5,049	182,510	1,375,360	
Social services	136,129	-	489,985	334,127	-	-	447,348	1,409,589	
Judicial services	-	-	171,580	-	-	-	173,217	344,797	
Culture and recreation	198,879	-	-	-	-	-	48,573	247,452	
Roads and transportation	-	-	101,159	-	-	-	24,372	125,531	
Capital outlay	21,518	-	-	28,211	44,684	-	90,527	184,940	
Total expenditures	4,883,357	-	7,038,379	2,011,049	912,134	307,148	1,631,033	16,783,100	
<b>REVENUES OVER/(UNDER) EXPENDITURES</b>	713,122	6,383,326	(675,597)	(282,806)	-	-	(394,476)	5,743,569	
<b>OTHER FINANCING SOURCES/(USES)</b>	(439,406)	-	(46,291)	-	-	-	485,697	-	
<b>REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES</b>	273,716	6,383,326	(721,888)	(282,806)	-	-	91,221	5,743,569	
<b>FUND BALANCE/(DEFICIT)</b>									
Beginning of year	(2,147,870)	84,249,539	686,438	282,736	-	-	220,059	83,290,902	
Prior period adjustment	46,362	-	(47,646)	70	-	-	1,214	-	
<b>FUND BALANCE/(DEFICIT)</b>									
End of year	\$ (1,827,792)	\$ 90,632,865	\$ (83,096)	\$ -	\$ -	\$ -	\$ 312,494	\$ 89,034,471	

See accompanying notes to these financial statements.

Pyramid Lake Paiute Tribe  
**Reconciliation of the Statement of Revenues, Expenditures, and Change in Fund Balance of Governmental Funds to the  
Statement of Activities**  
Year ended December 31, 2007

**NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS** **\$ 5,743,569**

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 not recorded as an expense.

Depreciation expense	\$	(1,112,765)	
Capital expenditures		184,940	
			(927,825)

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

In the current year, these amounts consist of:

Decrease in accrued compensated absences		49,802	
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**CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES** **\$ 4,865,546**

## **FIDUCIARY FUND FINANCIAL STATEMENTS**

**Pyramid Lake Paiute Tribe**  
**STATEMENT OF FIDUCIARY NET ASSETS - RETIREMENT TRUST FUND**  
**December 31, 2007**

**ASSETS**

Investments held in trust	\$ 701,173
Contributions receivable	<u>71,697</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 772,870</u></b>

**NET ASSETS**

Held in trust for benefits and distributions	<b><u>\$ 772,870</u></b>
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See accompanying notes to these financial statements.

**Pyramid Lake Paiute Tribe**  
**STATEMENT OF CHANGE IN FIDUCIARY NET ASSETS**  
**Year ended December 31, 2007**

**ADDITIONS**

Contributions	\$	228,279
Investment income		41,146
Total additions		<u>269,425</u>

**DEDUCTIONS**

Distributions and plan expenses		<u>217,017</u>
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**CHANGE IN NET ASSETS HELD IN TRUST FOR  
BENEFITS AND DISTRIBUTION**

52,408

**NET ASSETS, beginning of year**

720,462

**NET ASSETS, end of year**

\$ 772,870

See accompanying notes to these financial statements.

## **COMPONENT UNIT FINANCIAL STATEMENTS**

**Pyramid Lake Paiute Tribe**  
**Combining Statement of Net Assets - Component Units**  
**December 31, 2007**

	<u>Pyramid Lake Fisheries</u>			
	Pyramid Lake Housing Authority	General Fund	Permanent Fund	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 57,613	\$ 486,929	\$ -	\$ 544,542
Investments	2,038,499	-	-	2,038,499
Participant receivables, net of allowances	10,484	-	-	10,484
Interest receivable	13,810	-	298,592	312,402
Grants receivable	121,447	-	-	121,447
Due from other government	-	89,185	-	89,185
Prepaid expenses	65,031	23,259	-	88,290
Capital assets, net	59,098	2,243,939	-	2,303,037
Deposits	32,085	-	-	32,085
Mutual help inventory	10,815,624	-	-	10,815,624
Restricted cash	-	-	586,103	586,103
Restricted investments	-	-	31,712,277	31,712,277
Total assets	<u>\$ 13,213,691</u>	<u>\$ 2,843,312</u>	<u>\$ 32,596,972</u>	<u>\$ 48,653,975</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 224	\$ 104,491	\$ -	\$ 104,715
Accrued expenses	847	18,735	-	19,582
Deferred revenue	44,414	-	-	44,414
Tenants security deposits	4,700	-	-	4,700
Compensated absences	5,610	13,782	-	19,392
Capital leases	-	21,607	-	21,607
Deferred credits	400,550	-	-	400,550
Total liabilities	<u>456,345</u>	<u>158,615</u>	<u>-</u>	<u>614,960</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	59,098	2,222,332	-	2,281,430
Restricted or permanent fund	-	-	32,596,972	32,596,972
Unrestricted	12,698,248	462,365	-	13,160,613
Total net assets	<u>12,757,346</u>	<u>2,684,697</u>	<u>32,596,972</u>	<u>48,039,015</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 13,213,691</u></u>	<u><u>\$ 2,843,312</u></u>	<u><u>\$ 32,596,972</u></u>	<u><u>\$ 48,653,975</u></u>

See accompanying notes to these financial statements.

**Pyramid Lake Paiute Tribe**  
**Combining Statement of Revenues, Expenditures and Change in Net Assets - Component Units**  
**Year ended December 31, 2007**

	<u>Pyramid Lake Fisheries</u>			
	Pyramid Lake Housing Authority	General Fund	Permanent Fund	Subtotal
<b>REVENUES</b>				
Grants and contributions	\$ 1,048,498	\$ 387,770	\$ -	\$ 1,436,268
Program revenue	56,645	-	-	56,645
Dwelling rent	164,674	-	-	164,674
Other	-	134,309	-	134,309
Total operating revenue	1,269,817	522,079	-	1,791,896
<b>OPERATING EXPENSES</b>				
General and administrative	592,757	1,200,882	-	1,793,639
Resident service	64,958	-	-	64,958
Maintenance	163,925	49,805	-	213,730
Rehabilitation	516,751	-	-	516,751
Insurance	50,085	40,155	-	90,240
Collection loss	2,927	-	-	2,927
Utilities	-	93,704	-	93,704
Vehicle and boat operating costs	-	45,709	-	45,709
Supplies	-	33,927	-	33,927
Renovation	2,679	-	-	2,679
Capital outlay	-	23,510	-	23,510
Depreciation	29,917	-	-	29,917
Debt service	-	104,622	-	104,622
Total operating expenses	1,423,999	1,592,314	-	3,016,313
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers	-	1,400,000	(1,400,000)	-
<b>NON-OPERATING REVENUE/(EXPENSE)</b>				
Investment income	52,444	10,195	1,853,288	1,915,927
Loss on sale of equipment	(40,797)	-	-	(40,797)
Change in net assets	(142,535)	339,960	453,288	650,713
Net assets - beginning of year	12,899,881	2,344,737	32,143,684	47,388,302
Net assets - end of year	\$ 12,757,346	\$ 2,684,697	\$ 32,596,972	\$ 48,039,015

See accompanying notes to these financial statements.



**Pyramid Lake Paiute Tribe**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2007**

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The primary government statements of the Pyramid Lake Paiute Tribe (the “Tribe”) have been prepared in conformity with generally accepted accounting principles (“GAAP”) as applied to government units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Tribe’s accounting policies are described below.

**1. Reporting Entity**

The Tribe is a federally recognized Tribe located in the state of Nevada. The Tribe is governed by an elected ten member council.

In addition the Tribe also operates two operations under its enterprise fund. The following is a brief discussion of these operations.

I-80 Smoke Shop – The I-80 Smoke Shop convenience store is located in Wadsworth, Nevada and sells tobacco products, gasoline and sundry items.

The Nixon Store – The Nixon Store is a convenience store located in Nixon, Nevada and sells gasoline and sundry items.

The basic financial statements of the Tribe present the reporting entity, which consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the Tribe’s basic financial statements to be misleading or incomplete. Accordingly, the accompanying basic financial statements reflect the financial position and the operations of the Tribe received, disbursed or in the custody of the Tribe or the Bureau of Indian Affairs and the United States Treasury, as its trustee, as well as all other funds and activities over which the Tribe exercises financial accountability. In the GASB 34 reporting model, the focus is on the Tribe as a whole in the Government-wide financial statements, while reporting additional and detailed information about the Tribe’s major governmental and business-type activities in fund financial statements.

**Discretely Presented Component Units**

The component units’ column in the government-wide financial statements includes the financial data of the Tribe’s discretely presented component units. These discretely presented component units are reported in a separate column to emphasize that they are legally separate from the primary government. The following component units of the Tribe, as defined by GASB Statement No. 14, are financially independent of the Tribe, designate their own management, have the ability to significantly influence their own operations and are accountable for their own fiscal matters. However, because the Tribal Council appoints each governing body and approves the budgets of the component units, the Tribe is financially accountable for these entities.

**Pyramid Lake Paiute Tribe**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2007**

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

Pyramid Lake Housing Authority – The purpose of the Pyramid Lake Housing Authority is the administration of the Indian Housing Block Grant. The Indian Housing Block Grant is the federal government's major program for assisting low-income families, the elderly, and the disabled in obtaining decent, safe, and sanitary housing.

Pyramid Lake Fisheries - The purpose of Pyramid Lake Fisheries is to promote, develop and operate Pyramid Lake Fisheries' operation and maintenance program. The financial statements present the financial position, results of operations and changes in fund balances of those funds under the direct jurisdiction of the Board of Trustees of Pyramid Lake Fisheries, Sutcliffe, Nevada.

**2. Basis of Presentation**

Government Wide Financial Statements

The government-wide financial statements provide operational accountability information for the Tribe as an economic unit. The government-wide financial statements report the Tribe's ability to maintain service levels and continue to meet its obligations as they come due. The statements include all governmental activities and all business-type activities of the primary government and its component units. These statements include the Statement of Net Assets and the Statement of Activities as directed by GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* ("GASB 34"). Under GASB 34 reporting, fiduciary funds and fiduciary-type component units are omitted from the government-wide financial statements.

Governmental activities are financed primarily through investment income, intergovernmental revenues, and other governmental revenues.

The government-wide statement of activities reflects the cost of programs and functions reduced by directly associated revenues (charges for services and operating grants) to arrive at the net revenue or expense for each program and function. Net program revenue or expense for governmental activities is then adjusted for general revenues to determine the change in net assets for the year. Indirect expenses such as support services and administration incurred in the general government and other functions/activities are not allocated to programs/functions that they may benefit. When both restricted and unrestricted resources are available for use, it is the Tribe's policy to use restricted resources first, then unrestricted resources as they are needed.

**Pyramid Lake Paiute Tribe**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2007**

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

The government-wide statements are accounted for using 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. Non-exchange transactions, in which the Tribe gives (or receives) value without directly receiving (or giving) equal value in exchange include grants, entitlements, and donations. On an accrual basis, revenue from grants, entitlements and donations is recognized in the fiscal year in which eligibility requirements have been satisfied.

Fund Financial Statements

The fund financial statements provide information about the Tribe's funds. Separate statements for each fund category-governmental and fiduciary-are presented. The emphasis of fund financial statements is on major governmental funds, each displayed as a separate column. The General Fund is always a major fund. Other major funds are determined as funds whose revenues, expenditures/expenses, assets or liabilities are at least ten percent of the totals for all governmental or enterprise funds and at least five percent of the aggregate amount for all governmental and enterprise funds for the same item or funds designated as major at the discretion of the Tribe. All remaining governmental funds are aggregated and reported as non-major funds.

Governmental Funds

Governmental funds are used to account for the revenues and expenditures of governmental services provided by the Tribe. Governmental funds are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Tribe considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred except for principal and interest on general long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions under capital leases are reported as other financing sources.

Governmental fund financial statements include a balance sheet and a statement of revenues, expenditures and change in fund balance for all major governmental funds and non-major funds aggregated. A reconciliation is presented to summarize the differences in fund balances of the governmental fund financial statements.

The Tribe reports the following major governmental funds:

**Pyramid Lake Paiute Tribe**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2007**

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

*General Fund* – The General Fund is used to account for all general governmental activities not accounted for in some other fund. Its revenues are provided primarily from indirect cost reimbursement, taxes, permits and fees, and rents and leases. The principal expenditures of the General Fund relate to the general administration of the Tribe, education, natural resource management, public safety, and culture and recreation.

*Investment Trust Fund* – The Investment Trust Fund of the Tribe is a governmental fund consisting primarily of funds established under Public Law 101-618, titled the “Fallon Paiute Shoshone Tribal Settlement Act”, to promote Tribal Economic Development for which the income from the investment of such assets is available to expend. The original principal amounts and investment income thereon can only be expended on Tribal projects and governmental services, in accordance with a plan approved by the Secretary of the United States Department of Interior, with the objectives to develop long-term, profit-making opportunities for the Tribe and its members and to establish high quality recreation at Pyramid Lake using the unique natural and cultural resources of the reservation. The fund also receives unrestricted sand and gravel revenues, which are eligible to be paid to the General Fund.

*Bureau of Indian Affairs (BLA) Fund*– This fund accounts for the revenues and expenditures related to the Tribe’s grant awards from the Bureau of Indian Affairs. These funds are used to fund education, natural resources and other various activities.

*Department of Health and Human Services (DHHS) Fund* – This fund accounts for the revenues and expenditures related to the Tribe’s grant awards from the U.S. Department of Health and Human Services. The Tribe provides health care services to eligible participants with these revenues.

*Environmental Protection Agency (EPA) Fund* – This fund accounts for the revenues and expenditures related to the Tribe’s grant awards from the Environmental Protection Agency. The Tribe uses these funds for various environmental programs including those related to the Truckee River and Pyramid Lake.

*Department of Energy Fund* – This fund accounts for the revenues and expenditures related to the Tribe’s grant awards from the Department of Energy. The majority of these funds are for the Pyramid Lake Renewable Energy Park.

*Aggregate Non-major Government Funds* – This fund accounts for revenues and expenditures related to all non-major funds. The Tribe provides numerous services with these revenues including education, social and judicial.

The Pyramid Lake Fisheries component unit reports two fund types as follows:

**Pyramid Lake Paiute Tribe**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2007**

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

*General Fund* – The General Fund is classified as a Governmental Fund and uses the modified accrual basis of accounting whereby revenues are recognized when measurable and available and expenditures are recognized when liabilities are incurred. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Fisheries considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. The General Fund is the Fisheries unrestricted fund and is used to account for all financial resources and expenditures except those properly accounted for in another fund.

*Permanent Fund* – The Permanent Fund is classified as a Governmental Fund and is used to account for all trust assets, liabilities, fund balances, revenue and transfers on the modified accrual basis of accounting whereby revenues are recognized when measurable and available and expenditures are recognized when incurred as noted above.

The Permanent Fund is used to account for assets held on behalf of outside parties. The Fund includes resources in which the Fisheries is under an obligation to maintain the trust principal. These funds were established under Public Law 101-618, titled the “Fallon Paiute Shoshone Tribal Settlement Act.”

**Fiduciary Fund**

Fiduciary funds account for those funds held in a trustee or agency capacity for others and therefore cannot be used to support the government’s own programs. As a result, these funds are not included in the Government-wide financial statements. Fiduciary funds are accounted for using the accrual basis of accounting.

*Retirement Trust Fund* – This fund is used to account for assets held by the Tribe in a trustee capacity for the Tribe’s Retirement Plan. The Tribe does not have a policy regarding legal or contractual provisions limiting the nature or types of allowable investments.

**3. Cash and Cash Equivalents**

Cash and cash equivalents includes cash on hand, deposits with banks, and other highly liquid investments with original maturities of three months or less.

**4. Restricted Cash and Investments**

The Treasury of the United States appropriated \$25,000,000 as the “Pyramid Lake Fisheries Fund.” This fund was established under Public Law 101-618, titled the “Fallon Paiute Shoshone Tribal Settlement Act,” to allow the Tribe to assume financial responsibility for the operation and maintenance of Pyramid Lake Fisheries.

**Pyramid Lake Paiute Tribe**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2007**

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

Under the terms of this settlement, the principal is unavailable for withdrawal and the interest earned is available for the purposes of operation and maintenance of the Fisheries' facilities at Pyramid Lake, excluding Marble Bluff Dam and Fishway, and for Conservation of the Pyramid Lake Fisheries in accordance with plans prepared by the Pyramid Lake Paiute Tribe in consultation with, and the concurrence of, the United States Fish and Wildlife Service and approved by the Secretary of the Treasury ("Secretary").

Of interest earned annually on the principal, the lesser of 25% a year or an amount which, in the sole judgment of the Secretary, is sufficient to maintain the principal of the fund at \$25 million in 1990 constant dollars will be retained in the fund as principal and cannot be withdrawn. Any interest not expended, added to principal, or obligated by the Tribe within four years after the year in which it is accrued is to be credited to the Lahontan Valley and Pyramid Lake Fish and Wildlife Fund administered by the United States Fish and Wildlife Service.

**5. Investments**

The Tribe's investments are recorded at fair market value in accordance with Statement 31 of the Governmental Accounting Standards Board.

Investment instruments held by the Pyramid Lake Housing Authority consist only of items specifically approved for public housing agencies by HUD. Investments are either insured or collateralized using the dedicated method. Under the dedicated method of collateralization, all deposits and investments over the federal deposit insurance coverage are to be collateralized with securities held by the Authority's agent in the Authority's name. It is the Authority's policy that all funds on deposit are collateralized in accordance with HUD requirements.

Investments held by the Pyramid Lake Fisheries are held in the Permanent Fund and are stated at fair market value. The Fisheries, through the US Treasury, invests in various mortgage-backed securities such as collateralized mortgage obligations, principal-only strips and federal agency bonds.

**6. Interfund Transactions**

During the course of operation, transactions occur between individual funds for goods provided or services rendered. These receivables and payables are properly classified as "due from other funds" or "due to other funds" in the fund financial statements, and are eliminated in the government-wide statement of net assets, except those between the Tribe and its component units. Quasi-external transactions are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the fund that is reimbursed. All other interfund transfers are reported as operating transfers.

**Pyramid Lake Paiute Tribe**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2007**

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**7. Accounts Receivable**

Grants and contracts receivable consists of amounts due for reimbursement of approved expenditures on grants and contracts entered into with various governmental agencies. They are reported net of an allowance for doubtful accounts of \$476,865.

**8. Inventories**

Inventories are reported at the lower of cost or market and consist of miscellaneous supplies in the general fund. Inventories for the component units consist of consumable supplies for use in operation of the businesses.

Homes owned by the Pyramid Lake Housing Authority and held under its mutual help agreements remain assets of the Authority and are reported on the statement of net assets as mutual help inventory and totaled \$10,815,624 at December 31, 2007.

**9. Property Held for Resale**

As part of the Tribe's Water Rights Acquisition Program, the Tribe at times purchases parcels of land then resells the land while retaining the water rights associated with the land. At December 31, 2007 the Tribe held one parcel valued at \$699,900.

**10. Prepaid Expenses and Supplies**

The cost of governmental fund type insurance and other prepaid expenses are recorded on the consumption method.

**11. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable government-wide financial statements. Capital assets are defined by the Tribe as equipment and land improvements assets with initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. All capital assets are required to be recorded at historical cost or estimated historical cost if actual cost is not available. Donated fixed assets are to be valued at their estimated fair value on the date donated.

**Pyramid Lake Paiute Tribe**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2007**

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

Capital assets acquired by governmental fund types are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds and the related assets are required to be reported in the government-wide statement of net assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets as applicable.

**12. Compensated Absences**

The Tribe accrues the cost of unpaid vacation leave earned in the statement of net assets. Such amounts are not recorded as a liability in the fund statements. No liability is recorded for non-vested accumulated rights to receive sick pay benefits.

**13. Deferred Revenue**

Deferred revenues arise when potential revenues do not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenues also arise when resources are received by the government before it has a legal claim to them as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed and revenue is recognized.

**14. Deferred Credits**

Under the terms of the mutual help regulations, monthly equity payment accounts are maintained by the Pyramid Lake Housing Authority for each homeowner and are classified as deferred credits until such time as a home is conveyed to a homeowner. Accordingly, these deferred credits are classified as long-term liabilities on the Authority’s statement of net assets and totaled \$400,550 at December 31, 2007.

**15. Use of Estimates**

Reporting in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**16. Federal Income Taxes**

As a Tribal government, the Tribe has no Federal income tax liability.



Pyramid Lake Paiute Tribe  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2007

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**17. Budgets**

Budgets are adopted annually as management tools. Since the Tribal Council does not adopt legally appropriated budgets as defined by the GASB, budget to actual comparisons are not presented in these financial statements.

**NOTE B – CASH AND CASH EQUIVALENTS**

**Custodial Credit Risk (Cash)** – Custodial credit risk on deposits is the risk that in the event of a bank failure, the Tribe's deposits may not be returned to it. The Tribe does not have bank deposit policies to address custodial credit risk.

At December 31, 2007, of the Tribe's bank balance, \$6,445,246 was exposed to custodial credit risk because it was uninsured and/or uncollateralized.

	Carrying Balance	Bank Balance
Cash on hand	\$ 531	\$ -
Cash deposited with financial institutions which is fully insured	100,000	100,000
Cash deposited with financial institutions which is fully collateralized by securities held by pledging financial institution	1,784,020	1,784,020
Cash equivalent held by Bureau of Indian Affairs in U.S. Government securities	15,051,129	15,051,129
Cash deposited with financial institutions which is uninsured and uncollateralized	6,497,889	4,354,623
Total balance	<u>\$ 23,433,569</u>	<u>\$ 21,289,772</u>

Cash consists of the following at December 31, 2007:

Unrestricted cash	\$ 6,487,857
Restricted cash	16,945,712
	<u>\$ 23,433,569</u>

Restricted cash and investments consist of funds in the Investment Trust Fund, which are restricted for use under the terms of the Fallon Paiute Shoshone Tribal Settlement Act.

The Tribe's cash deposits are not subject to interest rate risk, credit risk or concentration of credit risk.

At December 31, 2007, the Pyramid Lake Fisheries had \$486,729 of unrestricted deposits held in the governmental fund. The bank balance was \$513,070 of which \$100,000 was covered by federal depository insurance and \$399,146 was collateralized by a pledging financial institution.

**Pyramid Lake Paiute Tribe**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2007**

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**NOTE B – CASH AND CASH EQUIVALENTS-Continued**

At December 31, 2007, the Pyramid Lake Housing Authority had \$33,907 in unrestricted deposits. The bank balance was \$57,613 which included bank deposits covered entirely by federal depository insurance and money market deposits in the amount of \$23,706 that were not covered by insurance or collateral.

**NOTE C – INVESTMENTS**

**Custodial Credit Risk** – Custodial credit risk on investments is the risk that in the event of a failure of the counterparty, the Tribe will not be able to recover the value of its investments that are in the possession of an outside party. The Tribe does not have an investment policy to address custodial credit risk. All of the Tribe's investments are held in U.S. government obligation or bank certificates of deposit with securities held by the Bureau of Indian Affairs or by financial institutions in the Tribe's name.

In accordance with 24 CFR 1000.58(c)(1), the Pyramid Lake Housing Authority may invest only in obligations of the federal government or accounts insured by an agency of the federal government. Such investments include obligations issued by government – sponsored agencies, securities that are guaranteed or insured by the United States, and mutual funds registered with the Securities and Exchange Commission which invest only in obligations of the United States or securities that are guaranteed or insured by the United States.

The Authority does not have any specific policies regarding custodial credit risk in relation to investments.

Investments made by the Housing Authority are summarized below. The investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below.

Category 1 – Insured or registered, or securities held by the Housing Authority or its agent in the Housing Authority's name

Category 2 – Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Housing Authority's name

Category 3 – Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the Housing Authority's name

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
FNMA Notes	\$ -	\$ 232,908	\$ -	\$ 232,908	\$ 232,908
FHLMC Notes	-	1,773,895	-	1,773,895	1,773,895
GNMA Notes	31,696	-	-	31,696	31,696
	<u>\$ 31,696</u>	<u>\$ 2,006,803</u>	<u>\$ -</u>	<u>\$ 2,038,499</u>	<u>\$ 2,038,499</u>

**Pyramid Lake Paiute Tribe**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2007**

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**NOTE C – INVESTMENTS - continued**

**Interest Rate Risk** – Interest rate risk on investments is the risk that in the event of a significant increase in interest rates, the Tribe's investments could drop significantly in value. The Tribe does not have an investment policy to address interest rate risk. At December 31, 2007, the Tribe had the following investments subject to interest rate risk:

	<u>Fair Value</u>	<u>Maturing in Less than One Year</u>	<u>Maturing in One to Five Years</u>	<u>Maturing in Five to Ten Years</u>	<u>Maturing in More Than Ten Years</u>
Certificates of deposit	\$ 169,435	\$ 169,435	\$ -	\$ -	\$ -
Smith Barney Investments	199,048	199,048	-	-	-
U.S Government Securities	72,265,187	-	25,785,938	29,244,259	17,234,990
	<u>\$ 72,633,670</u>	<u>\$ 368,483</u>	<u>\$ 25,785,938</u>	<u>\$ 29,244,259</u>	<u>\$ 17,234,990</u>

**Credit Risk** – Credit risk on investments is the risk that the issuer of fixed income securities may not be able to meet its repayment obligations to the Tribe. The Tribe does not have an investment policy to address credit risk. The Tribe's investments are primarily U.S. government securities.

**Retirement Trust Fund** – In addition, the Tribe's Retirement Trust Fund holds \$701,172 in mutual funds, which are invested at the direction of individual participants. These funds may be subject to interest rate risks, credit risks or concentration of credit risks.

**Pyramid Lake Fisheries** – As of December 31, 2007, all cash and investments in the Fisheries' permanent fund are invested by the Secretary of the Interior and the Secretary of the Treasury in interest-bearing deposits and securities in accordance with the Act of June 24, 1938. The funds are uninsured and unregistered and are held in the name of the Secretary of the Treasury.

The following is a summary of investments held at December 31, 2007:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Loss</u>
U.S. Government agency bonds, principal only strips and mortgage backed securities	\$ 32,126,636	\$ 31,712,277	\$ 414,359
Government money market	586,103	586,103	-
	<u>\$ 32,712,739</u>	<u>\$ 32,298,380</u>	<u>\$ 414,359</u>

**Pyramid Lake Paiute Tribe**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2007**

**NOTE D – CAPITAL ASSETS**

Capital assets of the primary government consist of the following at December 31, 2007:

Non-depreciable	
Land	\$10,589,419
Museum artifacts	86,700
Depreciable	
Land improvements	5,091,850
Infrastructure	7,564,595
Buildings	16,572,628
Machinery and equipment	4,805,648
Total cost	\$44,710,840
Less: accumulated depreciation	(18,045,910)
	<u>\$26,664,930</u>

The following table summarizes changes in capital assets of the primary government for 2007.

	<u>December</u> <u>31, 2006</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>December</u> <u>31, 2007</u>
Non-depreciable					
Land	\$10,589,419	\$ -	\$ -	\$ -	\$10,589,419
Museum artifacts	86,700	-	-	-	86,700
Depreciable					
Land improvements	5,091,850	-	-	-	5,091,850
Infrastructure	7,564,595	-	-	-	7,564,595
Buildings	16,572,628	-	-	-	16,572,628
Machinery and equipment	4,620,708	184,940	-	-	4,805,648
Total cost	44,525,900	184,940	-	-	44,710,840
Less: accumulated depreciation	(16,933,146)	(1,112,764)	-	-	(18,045,910)
	<u>\$27,592,754</u>	<u>\$(927,824)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$26,664,930</u>

Capital assets of the component units consist of the following at December 31, 2007:

Depreciable	
Buildings and land improvements	\$ 3,656,432
Construction in progress	322,575
Equipment and furniture	1,305,146
Rentals	3,188,724
Vehicles and boats	683,088
Total cost	9,155,965
Less: accumulated depreciation	(6,852,928)
	<u>\$ 2,303,037</u>

**Pyramid Lake Paiute Tribe**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2007**

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**NOTE D – CAPITAL ASSETS - continued**

Under federal regulations, when assets acquired under a grant are no longer needed, disposition of the asset may require the return of the asset or a portion of the proceeds from the sale to the awarding agency.

Depreciation expense totaled \$1,006,273 for governmental type activities for the year ended December 31, 2007. Depreciation was allocated to governmental activities as follows:

General government	\$243,171
Education	472,631
Natural resources	11,926
Health and welfare	172,936
Public safety	23,537
Social services	41,989
Judicial services	600
Culture and recreation	47,957
Roads and transportation	98,017
Total	<u>\$1,112,764</u>

**NOTE E – LONG TERM DEBT**

Capital Leases

On January 13, 2004, the Fisheries entered into a lease agreement with General Motors Corporation to purchase a 2004 Chevrolet pickup truck with a fair market value of \$19,963. The Fisheries paid \$3,000 down and financed \$16,963. The lease is payable in 60 monthly installments of \$283, with zero interest, and the final payment is due on January 13, 2009.

On January 21, 2004, the Fisheries entered into a lease agreement with General Motors Corporation to purchase a 2004 Chevrolet pickup truck with a fair market value of \$42,673. The Fisheries paid \$900 down using a rebate and financed \$41,773. The lease is payable in 60 monthly installments of \$696 with zero interest and the final payment is due on January 21, 2009.

On February 6, 2004, the Fisheries entered into a lease agreement with General Motors Corporation to purchase a 2004 Chevrolet pickup truck with a fair market value of \$32,440. The Fisheries financed the entire amount. The lease is payable in 60 monthly installments of \$541, with zero interest, and the final payment is due on February 6, 2009.

**Pyramid Lake Paiute Tribe**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2007**

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**NOTE E – LONG TERM DEBT - continued**

On March 12, 2004, the Fisheries entered into a lease agreement with General Motors Corporation to purchase a 2004 Chevrolet pickup truck with a fair market value of \$21,746. The Fisheries paid \$750 down using a rebate and financed \$20,996. The lease is payable in 48 monthly installments of \$437, with zero interest, and the final payment is due on March 12, 2008.

The future lease payments of the Fisheries under the leases at December 31, 2007 are as follows:

<u>Year ending</u> <u>December 31,</u>	<u>Principal</u>
2008	\$ 19,547
2009	2,060
2010	-
Total	<u>\$ 21,607</u>

**NOTE F – RETIREMENT PLAN**

Sec. 401(k) Retirement Plan

The Tribe administers the Pyramid Lake Paiute Tribe Retirement Plan (the “Plan”) whereby all employees may defer a portion of their salary up to government established limits. The Tribe may also make discretionary contributions to the Plan. The employees’ contributions are fully vested at all times and employer’s contributions are vested after an employee completes two Plan years of service.

The following is a summary of the changes in assets of the Plan:

	Sec. 401(k) Plan
Balance at December 31, 2006	\$ 540,495
Employer and employee contributions	196,081
Investment income	46,089
Distributions and plan expenses	(62,203)
Balance at December 31, 2007	<u>\$ 720,462</u>

The Pyramid Lake Housing Authority participates in a defined contribution plan sponsored by the Pyramid Lake Paiute Tribe established under section 401(k) of the Internal Revenue Code. All eligible employees may participate. Under the plan, the Authority matches up to 5% of qualifying employee’s wages. In 2007, \$6,936 was contributed to the plan by the Housing Authority for employees. Eligible wages amounted to \$138,721 and employee contributions were \$3,475.

**Pyramid Lake Paiute Tribe**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2007**

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**NOTE F – RETIREMENT PLAN - continued**

Pension Plan

The Pyramid Lake Fisheries maintains a defined contribution pension plan with Massachusetts Mutual Life Insurance Company. All are eligible to join the plan at the beginning of employment and begin participating on the subsequent plan entry date.

The Fisheries contributes an amount equal to 6% of eligible employee compensation to the plan. Participants are required to contribute 1% of their compensation and can voluntarily contribute up to an additional 11%. Vesting begins after completing one year of service and reaches 100% after completing five years. Participants are automatically 100% vested in the employee portion of their account balance.

Pyramid Lake Fisheries total payroll in 2007 subject to contributions was \$621,492. The Fisheries' contribution portion was \$37,289.

**NOTE G – INTERFUND TRANSACTIONS**

The Tribe utilizes interfund accounts for temporary borrowing between funds. No repayment dates have been established for interfund balances.

As of December 31, 2007, the Tribe had a receivable from its enterprise fund, the I-80 Smoke Shop, of \$155,797.

Routine transfers are done between governmental funds over to fund Tribal programs to supplement programs funded by grants and contracts.

The Pyramid Lake Fisheries made a transfer from its Permanent Fund to its General Fund in the amount of \$1,400,000 during the fiscal year. The transfer was for general operations of the Fisheries and is done every year.

During the year the Fisheries received money from the Pyramid Lake Paiute Tribe in the amount of \$61,336.

**NOTE H – RESTRICTED NET ASSETS**

As discussed in Note A, net assets of the Investment Trust Fund governmental fund are restricted for certain purposes under Public Law 101-618, the Fallon Paiute Shoshone Tribal Settlement Act.

**NOTE I – DEFICIT FUND BALANCE**

The General Fund has a deficit fund balance of \$1,827,792 at December 31, 2007.

**Pyramid Lake Paiute Tribe**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2007**

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**NOTE J – RISK MANAGEMENT**

The Tribe is exposed to various risk related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Tribe carries commercial insurance for risk of loss. The Tribe did not have settled claims in excess of its commercial insurance coverage in the past three years.

**NOTE K – OTHER CONTINGENCIES**

The Tribe receives the majority of its support for its governmental activities from federal and state governments. A severe reduction in the level of this support, if this were to occur, may have a significant effect on the Tribe's special revenue programs and activities.

**NOTE L – CURRENT CONCENTRATIONS**

The Tribe receives federal grants for various specific purposes. These grants are subject to audit, which may result in requests for reimbursements to granting agencies for expenditures disallowed under the terms of the grants. Based on prior experience, Tribe management believes that such disallowance, if any, will not be material to the financial statements.

The Pyramid Lake Housing Authority received approximately 83% of its revenues from Department of Housing and Urban Development ("HUD"). If the amounts of revenues received from HUD falls below critical levels, the Authority's operating results could be adversely affected.

In addition, the Authority operates in a heavily regulated environment. The operations of the Authority are subject to the administrative directives, rules and regulations of federal state and local regulatory agencies, including, but not limited to HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

**NOTE M – PRIOR PERIOD ADJUSTMENTS**

Pursuant to GASB 34 the Tribe has recorded its infrastructure and museum artifacts which, has resulted in a prior period adjustment of \$1,003,907.

In addition to this adjustment the Tribe has reclassified several grants between funds. The net effect to the prior period was \$0.



## **SUPPLEMENTAL INFORMATION**

Pyramid Lake Paiute Tribe  
Combining Balance Sheet - Non-Major Governmental Funds  
December 31, 2007

ASSETS

	Department of Agriculture	Department of Education	Department of Homeland Security	Department of Justice	Institute of Museum and Library Services	Department of Transportation	Non-Federal	Total
Unrestricted cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 146,053	\$ 146,053
Unrestricted investments	-	-	-	-	-	-	-	-
Receivables	65,140	9,235	2,902	432,025	4,656	7,003	512,108	1,033,060
Contracts and grants, net of allowances	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-
Due from enterprise funds	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-	-
Property held for resale	-	-	-	-	-	-	-	-
Restricted cash	-	-	-	-	-	-	-	-
Restricted investments	-	-	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 65,140</b>	<b>\$ 1,727,169</b>	<b>\$ 2,902</b>	<b>\$ 432,025</b>	<b>\$ 5,207</b>	<b>\$ 7,003</b>	<b>\$ 658,161</b>	<b>\$ 2,897,697</b>

LIABILITIES AND FUND BALANCES

<b>LIABILITIES</b>								
Accounts payable	\$ 65,140	\$ 15,940	\$ 913	\$ 441,427	\$ 54,453	\$ 6,290	\$ 6,137	\$ 590,300
Accrued expenses	-	8,487	-	5,695	1,236	-	(3,565)	11,853
Due to other funds	-	-	-	0	-	-	-	-
Deferred revenue	-	1,702,742	1,989	(15,097)	-	713	292,703	1,983,050
Total liabilities	<b>\$ 65,140</b>	<b>\$ 1,727,169</b>	<b>\$ 2,902</b>	<b>\$ 432,025</b>	<b>\$ 55,689</b>	<b>\$ 7,003</b>	<b>\$ 295,275</b>	<b>\$ 2,585,203</b>

FUND BALANCES

Reserved	-	-	-	-	-	-	-	-
Unreserved	-	-	-	-	(50,392)	-	362,886	312,494
Total fund balances	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (50,392)</b>	<b>\$ -</b>	<b>\$ 362,886</b>	<b>\$ 312,494</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 65,140</b>	<b>\$ 1,727,169</b>	<b>\$ 2,902</b>	<b>\$ 432,025</b>	<b>\$ 5,207</b>	<b>\$ 7,003</b>	<b>\$ 658,161</b>	<b>\$ 2,897,697</b>

Pyramid Lake Paiute Tribe  
Combining Statement of Revenues, Expenditures and Change in Fund Balance - Non-Major Governmental Funds  
Year ended December 31, 2007

	Department of Agriculture	Department of Education	Department of Homeland Security	Department of Justice	Institute of Museum and Library Services	Department of Transportation	Non-Federal	Total
<b>REVENUES</b>								
Grants	\$ -	\$ 331,767	\$ -	\$ 518,725	\$ (1,819)	\$ 3,055	\$ 352,972	\$ 1,204,700
Investment income	-	-	-	-	-	-	168	168
Indirect	-	-	-	-	-	-	-	-
Other	31,689	-	-	-	-	-	-	31,689
Water rights income	-	-	-	-	-	-	-	-
Program income	-	-	-	-	-	-	-	-
Permits and fees	-	-	-	-	-	-	-	-
Taxes	-	-	-	-	-	-	-	-
Rent and lease	-	-	-	-	-	-	-	-
Total revenues	31,689	331,767	-	518,725	(1,819)	3,055	353,140	1,236,557
<b>EXPENDITURES</b>								
Current								
General government	31,689	-	-	12,764	-	-	55,706	100,159
Education	-	564,327	-	-	-	-	-	564,327
Natural resources	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	-
Public safety	-	-	-	161,359	-	-	21,151	182,510
Social services	-	-	-	335,209	-	-	112,139	447,348
Judicial services	-	-	-	173,217	-	-	-	173,217
Culture and recreation	-	-	-	-	48,573	-	-	48,573
Roads and transportation	-	-	-	-	-	3,055	21,317	24,372
Capital outlay	-	18,100	-	72,427	-	-	-	90,527
Total expenditures	31,689	582,427	-	754,976	48,573	3,055	210,313	1,631,033
<b>REVENUES OVER/(UNDER) EXPENDITURES</b>	-	(250,660)	-	(236,251)	(50,392)	-	142,827	(394,476)
<b>OTHER FINANCING SOURCES</b>								
Transfers	-	250,660	-	235,037	-	-	-	485,697
<b>REVENUES AND OTHER FINANCING SOURCES</b>	-	-	-	(1,214)	(50,392)	-	142,827	91,221
<b>FUND BALANCE</b>								
Beginning of year	-	-	-	-	-	-	230,059	230,059
PRIOR PERIOD ADJUSTMENT	-	-	-	1,214	-	-	-	1,214
<b>FUND BALANCE</b>	-	-	-	-	(50,392)	-	362,886	312,494
End of year	-	-	-	-	(50,392)	-	362,886	312,494

See accompanying notes to these financial statements.

**Pyramid Lake Paiute Tribe**  
**Statement of Revenues, Expenditures and Change in Fund Balance - Budget to Actual - General Fund**  
**Year ended December 31, 2007**

	Original	Final	Actual	Variance with Final Budget - Over/ (Under)
<b>REVENUES</b>				
Grants	\$ -	\$ -	\$ -	\$ -
Investment income	365,000	365,000	74,611	(290,389)
Indirect	1,611,542	1,611,542	2,230,546	619,004
Other	743,036	743,036	776,356	33,320
Program income	1,007,539	1,007,539	901,514	(106,025)
Permits and fees	761,047	761,047	968,538	207,491
Taxes	331,210	331,210	457,296	126,086
Rent and lease	208,743	208,743	187,618	(21,125)
Total revenues	<u>\$ 5,028,117</u>	<u>\$ 5,028,117</u>	<u>\$ 5,596,479</u>	<u>\$ 568,362</u>
<b>EXPENDITURES</b>				
Current				
General government	3,215,408	3,215,408	2,553,536	(661,872)
Education	215,000	215,000	160,617	(54,383)
Natural resources	136,210	136,210	791,689	655,479
Health and welfare	251,407	251,407	212,083	(39,324)
Public safety	859,930	859,930	806,906	(53,024)
Social services	142,988	142,988	138,129	(4,859)
Judicial services	-	-	-	-
Culture and recreation	202,600	202,600	198,879	(3,721)
Roads and transportation	-	-	-	-
Capital outlay	4,574	4,574	21,518	16,944
Total expenditures	<u>5,028,117</u>	<u>5,028,117</u>	<u>4,883,357</u>	<u>(144,760)</u>
<b>REVENUES OVER EXPENDITURES</b>	-	-	713,122	713,122
<b>OTHER FINANCING SOURCES/(USES)</b>				
Transfers	<u>32,750</u>	<u>32,750</u>	<u>(439,406)</u>	<u>(472,156)</u>
<b>OVER/(UNDER) EXPENDITURES</b>	<u>\$ 32,750</u>	<u>\$ 32,750</u>	<u>273,716</u>	<u>240,966</u>
<b>FUND DEFICIT</b>				
Beginning of year			<u>(2,147,870)</u>	
<b>FUND DEFICIT</b>				
End of year			<u>\$ (1,874,154)</u>	

Pyramid Lake Paiute Tribe  
Schedule of Expenditures of Federal and Non-Federal Awards  
Year Ended December 31, 2007

<u>Fund No.</u>	<u>Grant/Contract Name</u>	<u>Grant Identification Number</u>	<u>CFDA#</u>	<u>Expenditures</u>
<b>DEPARTMENT OF THE INTERIOR - Bureau of Indian Affairs</b>				
137	BIA Integrated Weed Management	GTH61T65135	15.020	\$ 7,410
142	Johnson O'Malley	CTH61T65103	15.130	18,232
144	Higher Education and AVT	CTH61T65123	15.114	109,275
145	Enrollment	CTH61T65124	15.020	1,697
148	Judicial Services	CTH61T65101	15.029	171,580
150	Social Services	CTH61T65102	15.113	245,194
152	Law Enforcement	CTH61T65117	15.030	380,895
153	Water Rights Acquisition	CTH61T65127	15.xxx	3,233,618
154	Road Maintenance	CTH61T65104	15.033	74,538
158	Water Resources	CTH61T65106	15.037	138,808
161	Economic Development	CTH61T65132	15.032	5,713
162	Housing Improvement	CTH61T65118	15.141	244,791
166	Mineral Assessment	CTH61T65120	15.038	650
371	Indian Highway Safety Program	PT-07-12-06	20.600	22,069
375	Desert Terminal Lakes Project	07FG200124	15.508	434,644
376	Attorney Fees Grant	GTH61T65147	-	79,885
391	Indian Highway Safety Program	PT-08-19	20.600	4,552
420	PLHS ISEP & Transportation	-	15.046	4,244
333-7	ISEP & Transportation 06-07	GTJ50T65117	15.046	764,106
333-8	ISEP & Transportation 07-08	GTJ50T65117	15.046	782,130
336-7	PLHS O&M	GTJ50T65117	15.047	218,435
336-8	Operations and Maintenance 07-08	GTJ50T65117	15.047	95,913
	Total Department of the Interior			<u>\$ 7,038,379</u>
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
170	Indian Health Service Projects	-	93.XXX	\$ 70,894
172	Health/Administration	247-98-0026	93.441	748,767
174	Health/CHR	247-98-0026	93.441	74,494
176	Health/Substance Abuse	HHS1247200600022C	93.441	93,178
178	Health/Third Party	247-98-0026	93.441	460,811
179	IHS/Arsenic Feasibility Study	DW-75-95561101	66.701	13,173
182	Numaga/Title VI	0409NVNSIP	93.047	124,138
183	Child Care Dev Block Grant	G999002/G999006	93.575/93.596	168,774
188	DHHS Caregiver	0309NVT6CG	93.052	17,403
212	Special Diabetes Program for I	5 HID 94 00252-04	93.237	202,835
317	IHS - Injury Prevention/Part II	D271HS300043A	93.284	12,771
<b>Indirect Funding through the State of Nevada</b>				
236	Amer. Shelter Ser.	03-01-NV-FVPS	-	23,811
	Total Department of Health and Human Services			<u>\$ 2,011,049</u>
<b>ENVIRONMENTAL PROTECTION AGENCY</b>				
200	Water Pollution Contract	BG-97917501	66.419	\$ 370,938
295	Lead Screening and Awareness	PH-97963901-2	66.715	275
311	CWA 319 East Truckee River	C9-96940601-0	66.460	47,151
312	Financial/Administrative Work	GA-96954101-0	66.926	(82)
314	16th Annual Region 9 Tribe	GA-96931401-0	66.926	11,393
361	GAP IV - General	GA-96972501-2	66.926	162,160
362	GAP IV - Solid Waste	GA-96972501-0	66.926	43,591
363	GAP IV - Wellhead Protection	GA-96972501-0	66.926	41,722

See accompanying notes to these financial statements.

Pyramid Lake Paiute Tribe  
Schedule of Expenditures of Federal and Non-Federal Awards  
Year Ended December 31, 2007

<u>Fund No.</u>	<u>Grant/Contract Name</u>	<u>Grant Identification Number</u>	<u>CFDA#</u>	<u>Expenditures</u>
364	Wetland Protection Development	CD-96973101-0	66.641	57,785
366	FY 07 Pesticide Consolidated	E-96912507	66.700	11,393
367	CAA Special Purpose - Air Quality	XA-96969901-0	66.034	96,354
368	SWDA Special Purpose Solid Waste	X1-00919501	66.926	5,962
378	GAP - RTOC	GA-99996301	66.926	17,275
200B	NonPoint Source Management	BG-97917501	66.460	43,748
283A	CAA Special Purpose - Air Quality	XA-96928401-0	66.034	2,469
	Total Environmental Protection Agency			<u>\$ 912,134</u>

**DEPARTMENT OF ENERGY**

208	Tribal Emergency Response	DEFG0701D14025	81.502	\$ 5,049
300	Renewable Energy Park	DE-FG36-04GO14060 M002	81.087	272,761
374	Pyramid Lake Energy Project	DE-FG02-06ER64279	81.041	29,338
	Total Department of Energy			<u>\$ 307,148</u>

**AGGREGATE NON-MAJOR FUNDS - FEDERAL**

**DEPARTMENT OF AGRICULTURE**

	Rural Housing Preservation	-	10.433	\$ 387,770
<b>Indirect Funding through the State of Nevada</b>				
097C	NAP- Winter Range	-	10.073	312
097D	NAP- West Lake	-	10.073	29,914
097G	NAP- Nugent	-	10.073	1,463
	Total Department of Agriculture			<u>\$ 419,459</u>

**DEPARTMENT OF HOUSING & URBAN DEVELOPMENT**

	Indian Housing Block Grant	-	14.867	\$ 1,048,498
	Total Department of Housing & Urban Development			<u>\$ 1,048,498</u>

**DEPARTMENT OF EDUCATION**

422	PLHS Title VII Native Studies	-	84.060	\$ 10,791
432	PLHS Special Education	-	84.027	(555)
334-7	PLHS - Title I 06-07	GTJ50T65117	84.010	207,378
334-8	PLHS - Title Funds 07-08	GTJ50T65117	84.010	91,886
335-7	Special Education 06-07	GTJ05T65117	84.027	187,406
335-8	PLHS - Special Education 07-08	GTJ05T65117	84.027	74,059
338-8	21st Century ASP 07-08	-	-	2,225
422-8	Title VII - Native Studies	-	84.060	9,237
	Total Department of Education			<u>\$ 582,427</u>

**DEPARTMENT OF JUSTICE**

Pyramid Lake Paiute Tribe  
Schedule of Expenditures of Federal and Non-Federal Awards  
Year Ended December 31, 2007

<u>Fund No.</u>	<u>Grant/Contract Name</u>	<u>Grant Identification Number</u>	<u>CFDA#</u>	<u>Expenditures</u>
248	Tribal Court Assistance Program	2005-IC-BX-0003	16.608	\$ 59,002
249	Tribal Juvenile Account Discre	2005-JR-FX-K004	16.523	85,869
251	Resources PLPD	-	16.710	5,025
261	COPS Tribal Resource	2002-HH WX0030	16.710	4,547
262	Rural Domestic Violence	2003-WR-BX-0003	16.589	28,936
263	Arrest and Enforce	2003-WE-BX-0014	16.590	565
264	Tribal Victim Assistance	2003-VR-GX-0009	16.575	(38,886)
265	Legal Assistance for Victims	2003-WL-BX-0031	16.524	988
267	Stop Violence Against Indians	2003-WI-BX-0013	16.587	2,010
268	Rangers	2003HH WX0007	16.710	75,087
269	Tribal Resource Grant Program	2003HE WX0062	16.710	7,739
285	FY 2004 Tribal Youth Program	2004-TY-FX-K003	16.731	72,928
315	Stop VAIW FY 2005	2005-WI-AX-0016	16.589	79,150
372	Training/Equipment Grant	2006-HE WX-0057	16.710	77,041
373	National Children's Alliance	NIXO-006-TD07	16.547	47,313
392	Grants to Encourage Arrest	2007-WE-AX-0043	16.590	5,973
264A	Tribal Victim Assistance	2003-VR-GX-0009	16.575	116,944
265A	Legal Assistance for Victims	2003-WL-BX-0031	16.524	102,640
<b>Indirect Funding through the State of Nevada</b>				
220	Victim Support Services	VOCA-VA-GV-0033	16.575	22,105
	Total Department of Justice			<u>\$ 754,976</u>
<b>INSTITUTE OF MUSEUM AND LIBRARY SERVICES</b>				
194	Native American Basic Grant	LT-10032-01	45.311	\$ 5,561
129	IMLS- PL Cultural Center			43,012
	Total Institute of Museum and Library Services			<u>\$ 48,573</u>
<b>DEPARTMENT OF TRANSPORTATION</b>				
217	USDOT - Hazmat Emergency PP&T	HMEPL2095040	20.703	\$ 3,055
	Total Department of Transportation			<u>\$ 3,055</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>				<u>\$ 13,125,698</u>
<b>NON-FEDERAL</b>				
077A	Save the Children	-	-	\$ 43,293
077B	Save the Children	-	-	14,369
234	Regional Transportation Commission	PT 74-06	-	21,317
237	Division of Aging - State Transpo	1606-73-06	93.052	2,992
242	PL Tribal Police Office Project	2006-DD-BX-0035	16.580	12,051
303	FFY05 Emergency Management Per	9704205	97.029	9,100
369	PL Housing Assistant Program	2006-WX-AX-0007	16.736	51,485
370	Native American Graves Project	32-06-GP-428	15.922	52,806
377	Pyramid Lake Triathlon 2007	IT-08-03	-	2,855
390	Pyramid Lake License Plates	-	-	45
	Total Non-Federal			<u>\$ 210,313</u>

**Pyramid Lake Paiute Tribe**  
**NOTES TO SCHEDULE OF EXPENDITURES OF**  
**FEDERAL AND NON-FEDERAL AWARDS**  
**December 31, 2007**

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**NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal and non-federal awards includes the contract and grants activity of the Pyramid Lake Paiute Tribe 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*.

**NOTE 2 – CFDA NUMBERS**

For programs in which the catalog of Federal Domestic Assistance (CFDA) number is not known, or has not been provided by a funding agency, the CFDA number is shown with the funding agency's two digit prefix followed by "xxx," or by the grant number.



**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***

To the Tribal Council  
Pyramid Lake Paiute Tribe

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Pyramid Lake Paiute Tribe, as of and for the year ended December 31, 2007, which collectively comprise the Pyramid Lake Paiute Tribe's basic financial statements and have issued our report thereon dated December 12, 2008. We did not audit the financial statements of Pyramid Lake Housing Authority and Pyramid Lake Fisheries. Those financial statements were audited by other auditors whose reports have been furnished to us, and in our opinion, insofar as it relates to the amounts included for the discretely presented component units, are based solely on the report of the other auditors. 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 Pyramid Lake Paiute Tribe'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 Pyramid Lake Paiute Tribe's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Pyramid Lake Paiute Tribe'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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies

A control deficiency 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

misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Pyramid Lake Paiute Tribe's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Pyramid Lake Paiute Tribe's financial statements that is more than inconsequential will not be prevented or detected by the Pyramid Lake Paiute Tribe's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting: Findings 2007-1, 2007-2, 2007-3, and 2007-4.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Pyramid Lake Paiute Tribe's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. Of the significant deficiencies described above, we consider Findings 2007-5, 2007-6, and 2007-7 to be material weaknesses.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Pyramid Lake Paiute Tribe'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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Finding 2007-10.

Pyramid Lake Paiute Tribe's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Pyramid Lake Paiute Tribe's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, Tribe Council, others within the entity, and 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.

*The CFO Group, Inc.*

Reno, Nevada  
December 12, 2008

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

To the Tribal Council

Pyramid Lake Paiute Tribe

**Compliance**

We have audited the compliance of the Pyramid Lake Paiute Tribe 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 December 31, 2007. The Pyramid Lake Paiute Tribe's major federal programs are identified in the summary of auditor's 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 Pyramid Lake Paiute Tribe's management. Our responsibility is to express an opinion on the Pyramid Lake Paiute Tribe's compliance based on our audit.


The Pyramid Lake Paiute Tribe's basic financial statements include the operations of the Pyramid Lake Housing Authority and the Pyramid Lake Fisheries, which are the discretely presented component units of the Pyramid Lake Paiute Tribe. Our audit, described below, did not include the operation of Pyramid Lake Housing Authority and Pyramid Lake Fisheries, discretely presented component units.


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 require 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 Pyramid Lake Paiute Tribe's compliance with those requirements and performing such other procedures as we considered necessary under the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Pyramid Lake Paiute Tribe's compliance with those requirements.

In our opinion, the Pyramid Lake Paiute Tribe 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 December 31, 2007. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as Findings 2007-8, 2007-9, 2007-10, and 2007-11.

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### Internal Control over Compliance

The management of the Pyramid Lake Paiute Tribe 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 Pyramid Lake Paiute Tribe's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 Pyramid Lake Paiute Tribe's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses. A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2007-10 and 2007-11 to be significant deficiencies.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider items 2007-8 and 2007-9 to be material weaknesses.

The Pyramid Lake Paiute Tribe's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Pyramid Lake Paiute Tribe's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Tribal Council, others within the entity, and 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.

*The CFD Group, Inc.*

Reno, Nevada

December 12, 2008

**Pyramid Lake Paiute Tribe  
Schedule of Findings and Questioned Costs  
December 31, 2007**

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**SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

Type of auditors' report issued:

Governmental Activities, Business-Type Activities, Discretely Presented Component Units, Major Enterprise Funds, and Aggregate Remaining Fund Information-Adverse  
Major Governmental Funds-Unqualified

- Internal control over financial reporting:
- Material weakness(es) identified? Yes

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

Non-Compliance material to financial statements notes? Yes

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified? Yes
- Significant deficiencies identified that are not considered to be material weaknesses? Yes

Type of Auditors' report issued on compliance for major programs: Unqualified

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

**Identification of Major Programs**

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CFDA Numbers	Name of Federal Program or Cluster
15.XXX	U.S. Department of Interior, Bureau of Indian Affairs, Water Rights Acquisition Program
15.030	U.S. Department of Interior, Bureau of Indian Affairs, Law Enforcement
15.046	U.S. Department of Interior, Bureau of Indian Affairs, Indian Education Facilities, Operation and Maintenance
66.419	U.S. Environmental Protection Agency, Water Pollution Control State, Interstate, and Tribal Program Support
15.508	U.S. Department of Interior, Bureau of Reclamation, Providing Water to At-Risk Natural Desert Terminal Lakes
93.441	U.S. Department of Health and Human Services, Indian Health Services

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Dollar threshold used to distinguish between type A and type B programs: \$320,000

Auditee qualified as low-risk auditee? No

**Pyramid Lake Paiute Tribe**  
**Schedule of Findings and Questioned Costs**  
**December 31, 2007**

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**I. FINDINGS RELATED TO FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH *GOVERNMENTAL AUDITING STANDARDS***

**SIGNIFICANT DEFICIENCIES**

**Finding 2007-1- Segregating Duties: Cash Receipts**

Criteria:

Proper internal control design requires that there be a segregation of duties between those responsible for custody, authorization, recording, and reconciling.

Condition:

We noted that duties involving cash receipts were combined during the year, whereby two employees are responsible for the entire cash receipt process.

Effect:

Without proper segregation of duties for these closely related cash receipts functions, the risk that receipts could be misappropriated increases.

Cause:

Inadequate staffing or insufficient training may have contributed to this finding.

Recommendation:

We recommend that one employee, independent of the accounting department, such as the receptionist or office manager, open the mail and restrictively endorse all incoming checks. This person should keep a daily log of all incoming checks. Copies of the checks should be forwarded to the appropriate departments for processing and the checks should be forwarded to the accounting department for recording in the accounting system and timely deposit. A third person should periodically compare and deposit slips to the daily log of incoming checks to ensure that all the receipts were deposited.

**Finding 2007-2- Compensated Absences**

Criteria:

FASB 43 requires an employer to accrue a liability for employees' right to receive compensation for future absences as the obligation relates to rights that vest and accumulate.

Condition:

During the course of our audit of the year-end compensated absence accrual, it came to our attention that there is an inconsistency between the vacation accrual policy practice by the finance department and the employee manual. We recommend that upper management resolve this inconsistency so that the compensated absence accrual is properly recorded per the employee manual.

Effect:

The lack of a fully implemented vacation policy will potentially allow for an employee to erroneously accumulate very large amounts of vacation time that is recorded as a liability.

**Pyramid Lake Paiute Tribe**  
**Schedule of Findings and Questioned Costs**  
**December 31, 2007**

---

Cause:

Inadequate staffing, insufficient training, or inadequate record keeping may have contributed to this finding.

Recommendation:

We recommend that the Tribe adequately document all vacation accrual calculations as defined by the Tribe's approved employee manual. This documentation should also be retained subsequent to year end.

**Finding 2007-3- Cash Disbursements: Control over Outstanding Checks**

Criteria:

Outstanding checks that are more than six months old should be canceled as a part of internal control over cash disbursements.

Condition:

Audit procedures in the cash area disclosed that there were old outstanding checks on the bank reconciliation that went unnoticed for over one year.

Effect:

Tracking outstanding checks is an important control procedure that ensures that all outgoing checks are accounted for.

Cause:

Inadequate staffing, insufficient training, or inadequate record keeping may have contributed to this finding.

Recommendation:

We recommend that an accurate outstanding checks list be kept for each bank account and a periodic review of the list(s) be performed on a timely basis. These outstanding checks should be investigated, adjusted for separately, and payments stopped at the bank, as necessary.

**Finding 2007-4- Record Storage and Retrieval**

Criteria:

Documents supporting every disbursement should be easily accessible.

Condition:

During our audit we noticed that accounting records frequently could not be located when needed.

Effect:

The result is that employees spend nonproductive time searching for needed documents. This condition could also present problems when auditors or governmental agencies need documents in support of payroll tax returns and other reports subject to audit.

Cause:

Inadequate staffing, insufficient training, or inadequate record keeping may have contributed to this finding.

**Pyramid Lake Paiute Tribe  
Schedule of Findings and Questioned Costs  
December 31, 2007**

---

**Recommendation:**

We recommend that the following steps be taken: decide on a systematic manner of filing documents, (e.g. vendor bills filed alphabetically by vendor name, etc.) Describe the system in the accounting manual or post a description on the filing cabinets or storage room so employees will know how to find and re-file documents. Institute the use of sign-out cards to be filled out when a document is removed from a file, showing who took the record. Establish a policy specifying which records should be retained permanently, which records should be kept only for a given period before being destroyed, and what the period of time should be for the various documents' termination. Lastly, assign personnel the responsibility of periodically cleaning out the files in accordance with the established policy.

**MATERIAL WEAKNESSES**

**Finding 2007-5- Grant Reimbursements Not Timely**

**Criteria:**

Proper accounting controls require that reimbursement requests for cost reimbursement grants and contracts be submitted as soon as they are available, normally monthly.

**Condition:**

We found that the Tribe did not have controls in place to ensure that grant and contract reimbursements were obtained in a timely manner.

**Effect:**

When grant funds are not drawn down properly, the Tribe must finance its programs using other funds, and the possibility increases that contracts may be closed out, in which case the Tribe would lose the opportunity for reimbursement.

**Cause:**

This condition may have been caused by employee turnover, insufficient staffing, lack of employee training, or inattention to established procedures.

**Recommendation:**

We recommend that procedures and controls be implemented to ensure that all available grant funding is obtained on a monthly basis.

**Finding 2007-6- Bank Reconciliations**

**Criteria:**

Proper accounting controls require that bank reconciliations be completed immediately upon receipt of bank statements by a position independent of the cash disbursement function.

**Condition:**

We found that bank reconciliations were prepared a month or longer after the bank statement was received.



**Pyramid Lake Paiute Tribe  
Schedule of Findings and Questioned Costs  
December 31, 2007**

---

Effect:

Without accurate and timely bank reconciliations, the Tribe's correct cash balance cannot be determined. Failure to perform bank reconciliations also increases the Tribe's exposure to fraud from misappropriation of cash.

Cause:

These conditions may have been caused by insufficient staffing, insufficient employee training, or inattention to established procedures.

Recommendation:

Bank reconciliations should be completed upon receipt of the monthly bank statement for all Tribal cash accounts, by a position independent of the cash disbursement function.

**Finding 2007-7- Reconciliation of General Ledger Accounts**

Criteria:

Proper accounting controls require that the general ledger be reviewed and reconciled to supporting data at least monthly.

Condition:

We found the Tribe did not review and reconcile many key general ledger accounts during the year, causing many accounts to be materially misstated, such as cash, receivables, payables, interfund amounts, indirect cost revenues, transfers, and other accounts.

Effect:

Failure to accurately reconcile general ledger accounts on a regular basis, can result in material misstatements of the Tribe's financial reports, and increase the Tribe's risk of fraud.

Cause:

This condition may have been caused by employee turnover, insufficient staffing, lack of employee training, or inattention to established procedures.

Recommendation:

The Tribe should ensure that sufficient qualified staff are hired and that they review and reconcile key general ledger balances to supporting journals and other documentation each month.

**II. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**Finding 2007-8- Bank Reconciliations**

Federal Programs Affected: All federal awards

Criteria:

The Office of Management and Budget's *Common Rule* requires that federal grantees maintain accounting records which accurately identify the sources and uses of funds, that effective control and accountability be maintained over grant cash, and that accounting records be supported by source documentation.

**Pyramid Lake Paiute Tribe**  
**Schedule of Findings and Questioned Costs**  
**December 31, 2007**

---

Condition:

As described in Finding 2007-6, the Tribe did not reconcile bank accounts for a month or longer after receiving the bank reconciliations, and consequently did not maintain adequate accountability over grant cash.

**Finding 2007-9- Reconciliation of General Ledger Accounts**

Federal Programs Affected: All federal awards

Criteria:

The Office of Management and Budget's *Common Rule* requires that federal grantees maintain accounting records which accurately identify the sources and uses of funds, that effective control and accountability be maintained over grant cash, and that accounting records be supported by source documents.

Condition:

As discussed in Finding 2007-7, the Tribe's accounting records did not meet the *Common Rule* requirements in 2007.

**Finding 2007-10- Reporting (Material Weakness)**

Federal Programs Affected: CFDA No. 15.046, Bureau of Indian Affairs, Administrative Costs Grants for Indian Schools; CFDA No. 66.419, Environmental Protection Agency, Water Pollution Control State, Interstate, and Tribal Program Support; CFDA No. 93.441, Department for Health and Human Services, Indian Health Services Program.

Criteria:

Each of the Tribe's major programs requires that the Tribe submit accurate and complete financial status reports. Also, OMB Circular A-133 requires the Tribe to submit its annual audit to the Federal Single Audit Clearinghouse no later than nine months after the close of each fiscal year.

Condition:

During our testing over the Water Pollution Control State, Interstate, and Tribal Program Support (CFDA # 66.419), agreement #BG97917501 and Administrative Costs Grants for Indian Schools (CFDA # 15.046), agreement #GTJ50T65117, it was noted that as of the audit report date, the Tribe has not yet filed the financial status reports for the quarters ended March 31, 2007, June 30, 2007, September 30, 2007 and December 31, 2007.

During our test over Indian Health Services Program (CFDA # 93.441), agreement #247980026, Tribal Program Support (CFDA # 66.419), agreement #BG97917501, and I Administrative Costs Grants for Indian Schools (CFDA # 15.046), agreement #GTJ50T65117, it was noted that the Tribe was unable to locate evidence that the annual financial report was filed.

In addition, the Tribe was unable to complete and submit its 2007 annual audit to the Federal Clearinghouse by the required date.

Effect:

The Tribe did not comply with reporting deadlines for the contracts listed above, and for submission of the annual audit to the Single Audit Clearinghouse.

**Pyramid Lake Paiute Tribe  
Schedule of Findings and Questioned Costs  
December 31, 2007**

---

Recommendation:

We recommend that the Tribe complete all financial reports for each program by the required due dates. It is further recommended that the Tribe adequately monitor expenditures for each program and revise such financial reports if necessary due to journal entries and other changes in the accounting records. We also recommend that the Tribe maintain sufficient professional accounting staff to ensure that the accounting records are ready for audit shortly after year end, so the Single Audit reporting date can be met.

**Finding 2007-11- Submission of Indirect Cost Proposal**

Federal Programs Affected: All federal programs

Criteria:

The Office of Management and Budget's Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments* mandates that grantees must submit an Indirect Cost Proposal six months prior to the start of the unit's fiscal year.

Condition:

As of the report date, the Tribe does not have an approved Indirect Cost rate for 2007.

Effect:

Late filing of an Indirect Cost Proposal subjects the Tribe to the risk that the rate will be awarded at a rate different than the rate actually funded during the year, resulting in a shortfall and a General Fund deficit for indirect costs, or potentially questioned costs for overcharges of Indirect costs to federal funds.

Cause:

It appears the Tribe did not have sufficient staff to prepare the indirect cost proposal on a timely basis.

Recommendation:

We recommend that all Indirect Costs Proposals be submitted by the applicable due dates.

**Pyramid Lake Paiute Tribe  
Corrective Action Plan  
December 31, 2007**

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**Finding 2007-1- Segregating Duties: Cash Receipts**

Management Response:

Due to a high level of staff turnover it was necessary for tasks to be completed by the available personnel. There are now specific duties in the job descriptions that insure segregated personnel are responsible for the different duties associated with Accounts Receivable. There are also back up personnel trained in case of any turnover. We have also included the safeguard of procedures being checked by the Supervisor for accuracy.

**Finding 2007-2- Compensated Absence**

Management Response:

We now include a vacation accrual entry to be entered monthly.

**Finding 2007-3- Cash Disbursements: Control over Outstanding Checks**

Management Response:

It is now an AP month end procedure to print out and maintain an outstanding check list. If the checks are over 30 days old, communication is made with the payee to insure the check has been received. Documentation of the communication is kept in the AP Month End paperwork. After 90 days if the check has still not been cashed, the check will be voided and a new check printed.

**Finding 2007-4- Record Storage and Retrieval**

Management Response:

Filing is handled by the accounting clerk. It is their responsibility to insure that an alphabetical system is followed in regards to accounts payable and a date order sequence is used with accounts receivable. A log sheet is used to document any files taken from the cabinet. The log sheet also has a date returned section to make certain that files are returned in a timely manner. The Accounting Clerk checks this sheet weekly. The progress of the Accounting Clerk is maintained by the Accounting Supervisor monthly.

**Finding 2007-5- Grant Reimbursements Not Timely**

Management Response:

Finance has a master listing of all programs and if they are filed monthly or quarterly. The contracts and grants specialist uses the list to manage and complete the correct reporting. The contracts and grants specialist will then put a copy of the completed reporting in the month end folder.

**Finding 2007-6- Bank Reconciliations**

**(Federal Award Finding 2007-8)**

Management Response:

The bank statements are printed out via the on-line system and the bank reconciliations are completed by the first Friday of the month. The reason for this is to allow for the completion of a cash flow report that is due to the Tribal Council on the first Council meeting which is the first Friday evening of the month.

**Pyramid Lake Paiute Tribe  
Corrective Action Plan  
December 31, 2007**

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**Finding 2007-7- Reconciliation of General Ledger Accounts  
(Federal Award Finding 2007-9)**

Management Response:

Month end procedures have now been clearly established and the reconciling of key general ledger accounts is being completed monthly.

**Finding 2007-10- Reporting**

Management Response:

Month end procedures have now been clearly established and the reconciling of key general ledger accounts is being completed monthly.

**Finding 2007-11- Submission of Indirect Cost Proposal**

Management Response

Due to incomplete audits and high turnover in the finance department, indirect cost proposals were filed late. This has since been corrected and indirect cost proposals are now completed on time.

**Pyramid Lake Paiute Tribe  
Status of Prior Audit Findings  
December 31, 2007**

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**Finding 2006-1- Segregating Duties: Cash Receipts**

Management Response:

Due to a high level of staff turnover it was necessary for tasks to be completed by the available personnel. There are now specific duties in the job descriptions that ensure segregated personnel are responsible for the different duties associated with Accounts Receivable. There are also back up personnel trained in case of any turnover.

**Finding 2006-2- Inadequate Safeguards over Blank Checks**

Management Response:

Blank checks are kept in a locked area. The only instance in which checks are removed from the locked area is during the printing of checks. There have been instances due to new personnel when checks have been left out longer than necessary. Current personnel have been reprimanded and counseled that the policy of keeping checks in the locked secured area is to be followed.

**Finding 2006-3- Procurement**

Management Response:

Due to the geographical area there have been instances where receiving 3 bids has been difficult. There is now a policy in place to make certain that if three bids are not available correct documentation is provided to clarify the difficulty of the specific request. A separate file location is now available so that the Finance department has all documentation of bid procurement.

**Finding 2006-4- Record Storage and Retrieval**

Management Response:

Filing is handled by the Accounting Clerk. It is their responsibility to insure that an alphabetical system is followed in regards to accounts payable and a date order sequence is used with accounts receivable. A log sheet is used to document any files taken from the cabinet. The log sheet also has a date returned section to make certain that files are returned in a timely manner. The Accounting Clerk checks this sheet weekly.

**Finding 2006-5- Grant Reimbursements Not Timely**

Management Response:

Finance has a Master Listing of all programs and if they are filed monthly or quarterly. The Contracts & Grants Specialist uses the list to manage and complete the correct reporting. The Contracts & Grants Specialist will then put a copy of the completed reporting in the month end folder.

**Finding 2006-6- Use of Credit Card by Employees**

Management Response:

There is now only one company credit card. It is monitored by the Tribal Secretary. The policy states that only Travel expenses may be charged on the company credit card. The employee must include a quote for airfare or hotel. A travel request form is filled out with the quoted documentation as back up. The travel request form needs five signatures for approval, the employee, their supervisor, the Comptroller, the Contracts & Grants Administrator and the Tribal Chairman. Once all signatures are received the employee will then go to the Tribal Secretary who will book the flight or hotel and put it on the credit card. A check request is then filled out to pay the credit card immediately in the next check run.

**Pyramid Lake Paiute Tribe  
Status of Prior Audit Findings  
December 31, 2007**

---

**Finding 2006-7- Bank Reconciliations  
(Federal Award Finding 2006-10)**

Management Response:

The bank statements are printed out via the on-line system and the bank reconciliations are completed by the first Friday of the month. The reason for this is to allow for the completion of a cash flow report that is due to the Tribal Council on the first Council meeting which is the first Friday evening of the month.

**Finding 2006-8- Reconciliation of General Ledger Accounts  
(Federal Award Finding 2006-11)**

Management Response:

A current listing of the Fixed Assets has been completed and it has been decided to purchase Fixed Asset software and hire a subcontractor to input all information into the software. Any new additions or deletions will now be input by the Accounting Supervisor on a monthly basis.

**Finding 2006-11- Reporting**

Management Response:

As of the report date, all financial reports required by all federal funds are being prepared and submitted on a timely basis.



THE CFO GROUP INC.  
PROGRESSIVE ACCOUNTING SOLUTIONS

Financial Statements and Independent Auditors' Report

**PYRAMID LAKE PAIUTE TRIBE**

**December 31, 2008**



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## INDEPENDENT AUDITORS' REPORT

### **To the Tribal Council Pyramid Lake Paiute Tribe**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Pyramid Lake Paiute Tribe (the "Tribe"), as of and for the year ended December 31, 2008, which collectively comprise the basic financial statements of the Tribe as listed in the table of contents. These financial statements are the responsibility of the Tribe's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Pyramid Lake Housing Authority or the Pyramid Lake Fisheries, which collectively represent 29% and 8% of the net assets and revenues, respectively, of the Tribe. Those financial statements were audited by other auditors whose reports thereon have been furnished to us and in our opinion, insofar as it relates to the amounts included for the Pyramid Lake Housing Authority and the Pyramid Lake Fisheries, is based on the reports of the other auditors.

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. These 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion.

Management has not included the enterprise funds of the Tribe in the Tribe's financial statements. Accounting principles generally accepted in the United States of America require the enterprise funds to be presented and financial information about the enterprise funds to be part of the business-type activities, thus increasing that activity's assets, liabilities, revenues, and expenses, and changes its net assets. The amount by which this departure would affect the assets, liabilities, net assets, revenues, and expenses of the business-type activities and the omitted major fund is not reasonably determinable.

In our opinion, because of the omission of the enterprise funds, as discussed above, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the enterprise funds of the Tribe, as of December 31, 2008, or the changes in financial position or cash flows thereof for the year then ended.

In addition, in our opinion, except for the effects of not including financial information for the enterprise funds as part of the business-type activities, as described above, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Pyramid Lake Paiute Tribe as of December 31, 2008, and the respective changes in financial position 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 October 27, 2009, on our consideration of the Tribe'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 important for assessing the results of our audit.

The budgetary comparison information on page 42 is not a required part of the basic financial statements but is 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 an opinion on the financial statements that collectively comprise the Tribe's basic financial statements. The Combining and Individual Non-Major Fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Combining Schedule of Expenditures-Governmental Funds is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal and Non-Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements of the Tribe. The Combining and Individual Non-Major Fund financial statements, and the Schedule of Expenditures of Federal and Non-Federal Awards and the Combining Schedule of Expenditures- Governmental Funds have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*The CFO Group Inc.*

Reno, Nevada

October 27, 2009

**PYRAMID LAKE PAIUTE TRIBE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2008**

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The Tribe's management provides Management's Discussion and Analysis as a tool for readers of the Tribe's financial statements for the year ended December 31, 2008. Readers of the Tribe's financial statements are encouraged to utilize this information in conjunction with the information provided in the accompanying basic financial statements and disclosure following this section.

**FINANCIAL HIGHLIGHTS- PRIMARY GOVERNMENT**

- The Tribe's assets exceeded its liabilities at the end of the year 2008 by \$124 million (net assets). Of the total amount, there is a total of \$2.1 million in unrestricted net assets.
- The Tribe's overall liabilities decreased by approximately \$3.5 million to \$8.9 million.
- The net assets increased by approximately \$8.4 million, which is largely attributable to a decrease in expenditures and an increase in revenues from the sale of water rights.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis serves as an introduction to the Tribe's basic financial statements. The Tribe's basic financial statements are comprised of government-wide financial statements, fund financial statements, and notes to the basic financial statements. A brief description of the basic financial statements follows:

**Basic Financial Statements**

The basic financial statements include two types of financial statement that present different views of the Tribe, the *Government-Wide Financial Statements* and the *Governmental Fund Financial Statements*. The basic financial statements also include *Notes to Basic Financial Statements*, which explain and provide additional detail about some of the information contained in the statements.

**Government-Wide Financial Statements**

The *Government-Wide Financial Statements* provide a broad overview of the Tribe's finances and operation in a manner similar to private-sector business. The statements provide information about the Tribe's financial position on both a short-term and long-term basis. The statements are prepared using the accrual basis of accounting and an economic resources management focus. The government-wide financial statements include the Statement of Net Assets and the Statement of Activities.

The *Statement of Net Assets* presents the assets and liabilities for the entire Tribe, with the difference reported as "net assets." Increases and decreases in net assets over time can serve as an indicator of the improvement or decline in the Tribe's financial position.

The *Statement of Activities* presents information about how the Tribe's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of when the related cash flows occur. Utilizing this method, revenues and expenses are reported when earned and incurred, rather than when cash is received or expended.

The financial statements include separate sections for two different types of activities. The two types are as follows:

**PYRAMID LAKE PAIUTE TRIBE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2008**

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*Governmental Activities* – This section presents information about activities supported by intergovernmental revenues, state and federal grants, tax revenues and license and permit revenues. The services provided by the Tribe's government generally fall into this category, including Tribal government, health services, education services, human services, community services, and other tribal services.

*Discretely Presented Component Units* – These are the operations for which the Tribe has financial accountability, but have certain independent qualities, such as an independent Board of Directors.

The Tribe's discretely presented component units are:

- Pyramid Lake Housing Authority
- Pyramid Lake Fisheries

The government-wide financial statements can be found immediately following this discussion and analysis.

### **Governmental Fund Financial Statements**

A fund is a group of related accounts that is used to maintain control over resources that have been separated for specific activities or objectives. The Tribe, like state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The fund financial statements focus on individual activities of the Tribe's government, providing more detail than the government-wide financial statements. The funds of the Tribe, divided into two types of funds, are:

*Governmental Funds* - Most of the services provided by the Tribe are financed and reported through the governmental funds. Governmental funds are used to account for the same governmental functions as reported in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on the near-term inflows and outflows of expendable resources. These fund statements also focus on the balances of expendable resources available at the end of the year. This approach to financial reporting is known as using the flow of current financial resources and the modified accrual basis of accounting. This method may be useful in evaluating the government's near-term financial requirements. These statements provide a short-term view of the Tribe's finances that assists in determining if there will be sufficient financial resources to meet the current needs of the Tribe.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the readers may better understand the long-term impact of the government's near-term financing decisions. The Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Change in Fund Balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Tribe maintains six major governmental funds, each presented in a separate column in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Change in Fund Balance. The Tribe's six major governmental funds are the General, Investment Trust, Bureau of Indian Affairs (BIA), Department of Health and Human Services (DHHS), Environmental Protection Agency (EPA), and Department of Energy. In addition, the Tribe maintains seven non-major funds which accounts for other governmental activity.

**PYRAMID LAKE PAIUTE TRIBE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2008**

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*Fiduciary Funds/ Retirement Trust Fund* – Fiduciary funds are used to account for assets held by the Tribal Council in a trustee capacity or as an agent for individuals, private organizations, other government units, and/or other funds. The Tribe's fiduciary fund is the Retirement Trust Fund. This Fund accounts for the Tribe's 401(k) retirement plan. See Note F of the financial statements.

**Notes to Financial Statements**

The notes to financial statements provide additional information that is essential for a full understanding of the data provided in the government-wide and the fund financial statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net Assets**

The following table summarizes the Tribe's net assets at December 31, 2008 for Governmental Activities.

<b>Net Assets - Governmental Activities</b>				
	<b>2008</b>	<b>2007</b>	<b>Change</b>	<b>Percentage</b>
Current Assets	\$ 106,839,657	\$ 101,157,680	\$ 5,681,977	5.62%
Capital Assets	25,950,182	26,664,930	(714,748)	-2.68%
<b>Total Assets</b>	<b>\$ 132,789,839</b>	<b>\$ 127,822,610</b>	<b>\$ 4,967,229</b>	<b>3.89%</b>
Current Liabilities	\$ 8,873,560	\$ 12,335,369	\$ (3,461,809)	-28.06%
Invested in capital assets, net of related debt	25,950,182	26,664,930	(714,748)	-2.68%
Restricted	95,855,678	90,632,865	5,222,813	5.76%
Unrestricted	2,110,419	(1,810,554)	3,920,973	N/A
<b>Total Net Assets</b>	<b>\$ 123,916,279</b>	<b>\$ 115,487,241</b>	<b>\$ 8,429,038</b>	<b>7.30%</b>

As of December 31, 2008, approximately \$26 million of the net assets balance represents investment in capital assets, net of related debt. Restricted net assets represent external restrictions placed upon assets of the Tribe. The largest category of restricted net assets is related to net assets restricted for specific program purposes. Of the total net assets, there is approximately \$2.1 million that is reported as unrestricted net assets.

**Change in Net Assets**

The Tribe's net assets increased by \$8,429,038 or 7.30% during the year. Total revenues for the year ended December 31, 2008 were approximately \$21.5 million. Total expenses of the Tribe were approximately \$14 million, which cover a variety of services. The two largest areas of governmental expenditures were education and health services which accounted for 18% and 15% respectively of total government expenses. In total, governmental-type revenue exceeded expenses by approximately \$7.6 million resulting in an increase in net assets.

**PYRAMID LAKE PAIUTE TRIBE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2008**

**Change in Net Assets- Governmental Activities**

	<u>2008</u>	<u>2007</u>	<u>Change</u>	<u>Percentage</u>
Program Revenue:				
Charges for service	\$ 7,078,904	\$ 3,822,129	\$ 3,256,775	85.21%
Operating grants and contributions	9,509,409	9,855,284	(345,875)	-3.51%
General Revenue:				
Investment income	4,573,044	6,161,413	(1,588,369)	-25.78%
Taxes	374,955	457,296	(82,341)	-18.01%
<b>Total Revenue</b>	<u>21,536,312</u>	<u>20,296,122</u>	<u>1,240,190</u>	<u>6.11%</u>
Expenses:				
General	4,699,242	3,166,918	1,532,324	48.39%
Education	2,555,251	2,810,435	(255,184)	-9.08%
Natural resources	1,196,397	4,392,557	(3,196,160)	-72.76%
Health and welfare	2,124,158	1,816,553	307,605	16.93%
Public safety	1,362,381	1,214,069	148,312	12.22%
Social services	1,253,286	1,262,149	(8,863)	-0.70%
Judicial services	316,741	299,062	17,679	5.91%
Culture and recreation	151,208	262,155	(110,947)	-42.32%
Roads and transportation	295,980	206,678	89,302	43.21%
<b>Total Expenses</b>	<u>13,954,644</u>	<u>15,430,576</u>	<u>(1,475,932)</u>	<u>-9.56%</u>
Change in Net Assets	7,581,668	4,865,546	2,716,122	55.82%
Net Assets, Beginning of Year	115,487,241	109,617,788	5,869,453	5.35%
Prior Period Adjustment	847,370	1,003,907	(156,537)	-15.59%
Net Assets, End of Year	<u>\$ 123,916,279</u>	<u>\$ 115,487,241</u>	<u>\$ 8,429,038</u>	<u>7.30%</u>

The increase in net assets in 2008 is largely attributable to increase in charges for service income and a decrease in expenditures. The more significant increases and decreases in revenue and expenses in the year 2008 as compared to the year 2007 are as follows:

General- The following are the major components contributing to the increase in expenditures in 2007. The completion of the 2006 and 2007 governmental wide audit resulted in a increased in audit fees by \$231,000. Another factor was the addition of a new tribal program resulting in an increase of expenditures by \$1,000,000. The creation of a new justice program resulted in an \$81,000 increase. The maintenance department expenditures also increased by \$100,000. Governmental services expenditures also increased by \$183,000 due to an increase in burial services, retirement plan administration costs and permit software upgrade.



**PYRAMID LAKE PAIUTE TRIBE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2008**

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Natural Resources- The following are the major components of the decrease in natural resources. The water resources programs reduced its employees resulting in a \$90,000 decrease in payroll expense. During 2008 several environmental programs finished resulting in a decrease of \$146,000 in expenditures. During 2008 expenditures were also decreased by restructuring several programs by which rather than contracted services the program hired personnel resulting in a \$22,000 reduction in cost.

Health- The increase is attributed to the clinic expenditures increasing by approximately \$358,000 in 2008 as a result of a new dental program.

Public Safety- The increase during 2008 was mainly attributed to the increase of fuel prices and personnel costs.

Culture and Recreation- The expenditures decreased in 2008 due to two recreational programs ending in 2007 and not being renewed in 2008 and the library program having a change in personnel that caused a gap while the recruiting process was taking place.

Roads and Transportation- In October 2007 the highway safety program was implemented. This program has been very successful but was not started until late 2007 and the program was renewed for the 2008/2009 budget year.

#### **CAPITAL ASSETS**

The Tribe's capital assets, net of depreciation, as of December 31, 2008 were \$25,950,182. The following table presents details of the Tribe's capital assets, net of depreciation:

**Capital Assets  
(Net of Depreciation)  
December 31, 2008**

Non-depreciable	
Land	\$10,589,419
Museum artifacts	86,700
Depreciable	
Land improvements	5,091,850
Infrastructure	7,588,417
Buildings	16,572,628
Machinery and equipment	5,026,645
Total cost	44,955,659
Less: accumulated depreciation	(19,005,477)
	<u>\$25,950,182</u>

Additional information on the Tribe's capital assets can be found in Note D of this report.

**PYRAMID LAKE PAIUTE TRIBE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2008**

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**SIGNIFICANT BUDGET VARIATIONS**

The Tribe's significant General Fund budget variations in 2008 were as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable/ (Unfavorable)</u>	<u>Percentage</u>
Revenue:				
Investment income	\$ 165,000	\$ 49,799	\$ (115,201)	-69.82%
Indirect income	1,015,859	1,695,188	679,329	66.87%
Other	30,000	597,356	567,356	1891.19%
Water rights income	1,100,000	3,100,000	2,000,000	181.82%
Program income	51,810	1,250,197	1,198,387	2313.04%
Permits and fees	785,493	933,978	148,485	18.90%
Taxes	434,151	374,955	(59,196)	-13.63%
Rent and lease	368,478	231,343	(137,135)	-37.22%
Expenses:				
General government	2,946,777	4,496,435	1,549,658	52.59%
Social services	43,374	111,771	68,397	157.69%
Culture and recreation	140,019	99,301	(40,718)	-29.08%

The Tribal Council approves a comprehensive annual budget prior to the beginning of the year. During the year, budget modifications are submitted to Council based on changes in levels of actual revenue and expenses. Significant variances between actual and final budget are as follows:

**General Fund Revenues:**

Investment income – The investment income was reduced due to market changes and a reduction in the investment portfolio as monies were utilized for water rights acquisitions.

Indirect income –The increase is attributed to actual monies collected from grantors agencies related to the prior year reconciliation of indirect cost amounts.

Other – The increase is attributed from trust fund monies that are unrestricted that were not included in the approved 2008 budget.

Water rights income- The Tribe budgeted \$1.1 million from the water rights settlement to the general fund however the amount that was actually received amounted to \$3.1 million.

Program income –This increase is due to the hiring of a realty manager who was able to reorganize and capitalize on the realty opportunities within the Tribe. The increase was also due to a change in the finance department which corrected many types of posting errors that were not reported to the appropriations committee in 2007 who were in charge of the 2008 budget.

Permits and fees –This increase is due to the implementation of an on-line purchasing system which increased tracking and enforcing of permit sales. Permit sales increased by 27% above budget projections.

**PYRAMID LAKE PAIUTE TRIBE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2008**

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Taxes –There was a shortfall of 21% of tax revenue due to a shortfall in the tribal convenience store revenue.

Rent and lease –A new director was hired for this department. The director organized the processes for collecting rents and reviewed all of the tribal leases. Many of them were out of date and were renewed in 2008. The reorganizing increased the revenue by 97%.

**General Fund Expenditures:**

General government –The water settlement payment was received in January 2008. Of the \$3.1 million, \$1.1 million was budgeted towards general government programs. Budget modification forms were completed to increase program expense budgets.

Social services –During 2008 the finance department took over the task of billing for daycare. This increased the daycare revenue which they utilized for expenditures during 2008.

Culture and recreation – The tribe cancel several programs during 2008 resulting in unbudgeted decrease in expenditures.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The Tribal Council has considered many factors when setting the annual 2009 Budget. Funding for the Pyramid Lake Paiute Tribal Council programs has remained relatively unchanged from the previous year. There are no major changes to Pyramid Lake Paiute Tribal Council programs. Water rights acquisition and management continue to be a priority.

**CONTACTING THE TRIBE'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the Tribe's finances to its citizens, customers, creditors, and other interested parties. Please refer to the audited financial statements of the Pyramid Lake Housing Authority and the Pyramid Lake Fisheries, which collectively represent 29% and 8% of the net assets and revenues, respectively, of the Tribe. Questions concerning any of the information contained in this report or requests for additional financial information should be directed to the Tribe's Finance Office, 208 Capitol Hill Road, Nixon, Nevada 89424.

## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**Pyramid Lake Paiute Tribe**  
**STATEMENT OF NET ASSETS**  
**December 31, 2008**

**ASSETS**

	<b>Governmental Activities</b>	<b>Component Units</b>
<b>ASSETS</b>		
Unrestricted cash and cash equivalents	\$ 9,195,375	\$ 527,254
Unrestricted investments	175,286	2,135,037
Receivables		
Contracts and grants, net of allowances	2,112,797	43,732
Due from enterprise funds	255,882	-
Other	1,017,324	230,203
Participant receivables	-	13,182
Interest receivable	-	197,414
Inventory	-	10,815,624
Prepaid expenses	-	92,056
Property held for resale	699,900	-
Capital assets, net	25,950,182	3,019,121
Deposits	-	39,810
Restricted cash	18,194,313	-
Restricted investments	75,188,780	33,274,087
<b>TOTAL ASSETS</b>	<b>\$ 132,789,839</b>	<b>\$ 50,387,520</b>

**LIABILITIES AND NET ASSETS**

<b>LIABILITIES</b>		
Accounts payable	\$ 1,904,774	\$ 164,235
Accrued expenses	133,535	21,291
Deferred revenue	6,586,698	20,692
Tenant security deposits	-	4,200
Compensated absences	248,553	19,617
Capital leases	-	2,060
Deferred credits	-	423,860
Total liabilities	<u>8,873,560</u>	<u>655,955</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	25,950,182	3,017,061
Restricted	95,855,678	33,461,780
Unrestricted	2,110,419	13,252,724
Total net assets	<u>123,916,279</u>	<u>49,731,565</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 132,789,839</b>	<b>\$ 50,387,520</b>

See accompanying notes to this financial statement.

Pyramid Lake Paiute Tribe  
STATEMENT OF ACTIVITIES  
Year ended December 31, 2008

Functions/Programs	Program Revenues			Net (Expense)/ Revenue and Change in Net Assets	Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Total Governmental Activities	
<b>PRIMARY GOVERNMENT</b>					
Governmental activities					
General government	4,699,242	\$ 2,807,982	\$ 401,423	\$ (1,489,837)	\$ -
Education	2,555,251	60,000	2,672,611	177,360	-
Natural resources	1,196,397	3,255,065	1,553,104	3,611,772	-
Health and welfare	2,124,158	719,415	1,692,762	288,019	-
Public safety	1,362,381	73,883	1,033,111	(255,387)	-
Social services	1,253,286	85,631	1,239,998	72,343	-
Judicial services	316,741	59,844	658,818	401,921	-
Culture and recreation	151,208	17,084	90,607	(43,517)	-
Roads and transportation	295,980	-	166,975	(129,005)	-
Total governmental activities	<u>\$ 13,954,644</u>	<u>\$ 7,078,904</u>	<u>\$ 9,509,409</u>	<u>2,633,669</u>	<u>\$ -</u>
<b>COMPONENT UNITS</b>					
	<u>\$ 2,480,394</u>	<u>\$ 232,527</u>	<u>\$ 1,500,299</u>		<u>\$ (747,568)</u>
<b>GENERAL REVENUES</b>					
Investment income				4,573,044	2,359,484
Taxes				374,955	-
Other local source income				-	14,140
Gain (loss) on sale of equipment				-	66,494
Total general revenues				<u>4,947,999</u>	<u>2,440,118</u>
<b>CHANGE IN NET ASSETS</b>				7,581,668	1,692,550
<b>NET ASSETS, beginning of year</b>				115,487,241	48,039,015
<b>PRIOR PERIOD ADJUSTMENT</b>				847,370	-
<b>NET ASSETS, end of year</b>				<u>\$ 123,916,279</u>	<u>\$ 49,731,565</u>

See accompanying notes to this financial statement.

**GOVERNMENTAL FUND FINANCIAL STATEMENTS**

Pyramid Lake Paiute Tribe  
BALANCE SHEET- GOVERNMENTAL FUNDS  
December 31, 2008

	General	Investment Trust	BIA	DHHS	EPA	Department of Energy	Aggregate Non-Major Funds	Total
<b>ASSETS</b>								
Unrestricted cash and cash equivalents	\$ 1,525,670	\$ 775,319	\$ 3,174,788	\$ 1,619,719	\$ 61,684	\$ 31,157	\$ 2,007,038	\$ 9,195,375
Unrestricted investments	175,286	-	-	-	-	-	-	175,286
Receivables								
Contracts and grants, net of allowances	17,545	-	385,773	612,167	421,981	198,509	476,822	2,112,797
Due from other funds	533,229	-	2,380	-	-	-	-	535,609
Due from enterprise funds	255,882	-	-	-	-	-	-	255,882
Other	18,465	997,366	1,343	-	-	-	150	1,017,324
Property held for resale	-	-	699,900	-	-	-	-	699,900
Restricted cash	-	18,194,313	-	-	-	-	-	18,194,313
Restricted investments	-	75,188,780	-	-	-	-	-	75,188,780
<b>TOTAL ASSETS</b>	<b>\$ 2,526,077</b>	<b>\$ 95,155,778</b>	<b>\$ 4,264,184</b>	<b>\$ 2,231,886</b>	<b>\$ 483,665</b>	<b>\$ 229,666</b>	<b>\$ 2,484,010</b>	<b>\$ 107,375,266</b>
<b>LIABILITIES AND FUND BALANCES</b>								
<b>LIABILITIES</b>								
Accounts payable	\$ 512,291	\$ -	\$ 319,710	\$ 77,195	\$ 461,003	\$ 165,003	\$ 369,572	\$ 1,904,774
Accrued expenses	34,424	-	33,659	32,900	8,857	2,349	21,346	133,535
Deferred revenue	1,963	-	3,192,228	1,619,719	13,805	31,157	1,727,826	6,586,698
Due to other funds	-	-	-	502,072	-	31,157	2,380	535,009
Total liabilities	548,678	-	3,545,597	2,231,886	483,665	229,666	2,121,124	9,160,616
<b>FUND BALANCES</b>								
Reserved	-	95,155,778	699,900	-	-	-	-	95,855,678
Unreserved	1,977,399	-	18,687	-	-	-	362,886	2,358,972
Total fund balances	1,977,399	95,155,778	718,587	-	-	-	362,886	98,214,650
<b>TOTAL LIABILITIES AND FUND BALANC</b>	<b>\$ 2,526,077</b>	<b>\$ 95,155,778</b>	<b>\$ 4,264,184</b>	<b>\$ 2,231,886</b>	<b>\$ 483,665</b>	<b>\$ 229,666</b>	<b>\$ 2,484,010</b>	<b>\$ 107,375,266</b>
<b>RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO NET ASSETS ON STATEMENT OF NET ASSETS</b>								
Governmental fund balances								\$ 98,214,650
Add governmental capital assets, which because they are not used in governmental funds, are not financial resources, and are therefore not reported in the fund								25,950,182
Less long term debt which is not due and payable in the current period and therefore not reported in the funds								(248,553)
<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>								<b>\$ 123,916,279</b>

See accompanying notes to this financial statement.



Pyramid Lake Paiute Tribe  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE- GOVERNMENTAL FUNDS  
Year ended December 31, 2008

	Major Funds							Aggregate	
	General	Investment Trust	BIA	DHHS	EPA	Energy	Nonmajor Funds	Total	
<b>REVENUES</b>									
Grants	\$ -	\$ -	\$ 4,420,452	\$ 1,884,255	\$ 886,295	\$ 56,660	\$ 2,009,983	\$ 9,257,645	
Investment income	49,799	4,522,913	-	-	-	-	332	4,573,044	
Indirect	1,695,188	-	-	-	-	-	-	1,695,188	
Other	597,356	-	111,814	292,725	17,354	-	80,152	1,099,401	
Water rights income	3,100,000	-	-	-	-	-	-	3,100,000	
Program income	1,250,197	-	286,398	395,576	33,775	-	-	1,965,946	
Permits and fees	933,978	-	-	-	-	-	-	933,978	
Taxes	374,955	-	-	-	-	-	-	374,955	
Rent and lease	231,343	-	-	-	-	-	-	231,343	
Total revenues	8,232,816	4,522,913	4,818,664	2,572,556	937,424	56,660	2,090,467	23,231,500	
<b>EXPENDITURES</b>									
Current									
General government	4,496,435	-	136,545	-	329,825	77,827	90,444	5,131,076	
Education	150,619	-	1,636,085	-	-	-	675,403	2,462,107	
Natural resources	(352)	-	829,914	-	490,260	-	-	1,319,822	
Health and welfare	249,657	-	-	1,955,030	-	-	-	2,204,687	
Public safety	858,992	-	360,706	-	-	868	191,853	1,412,419	
Social services	111,771	-	622,962	299,696	-	-	346,942	1,381,371	
Judicial services	-	-	126,534	-	-	-	209,122	335,656	
Culture and recreation	99,301	-	-	-	-	-	28,749	128,050	
Roads and transportation	-	-	247,425	-	-	-	31,259	278,684	
Capital outlay	30,845	-	77,289	6,783	-	-	129,902	244,819	
Total expenditures	5,997,268	-	4,037,460	2,261,509	820,085	78,695	1,703,674	14,898,691	
<b>REVENUES OVER/(UNDER) EXPENDITURES</b>	2,235,548	4,522,913	781,204	311,047	117,339	(22,035)	386,793	8,332,809	
<b>OTHER FINANCING SOURCES/(USES)</b>									
Transfers	1,574,348	-	(781,204)	(311,047)	(117,339)	22,035	(386,793)	-	
<b>REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES</b>	3,809,896	4,522,913	-	-	-	-	-	8,332,809	
<b>FUND BALANCE/(DEFICIT)</b>									
Beginning of year	(1,827,792)	90,632,865	(83,096)	-	-	-	312,494	89,034,471	
Prior period adjustment	(4,705)	-	801,683	-	-	-	50,392	847,370	
<b>FUND BALANCE/(DEFICIT)</b>									
End of year	\$ 1,977,399	\$ 95,155,778	\$ 718,587	\$ -	\$ -	\$ -	\$ 362,886	\$ 98,214,650	

See accompanying notes to this financial statement.

Pyramid Lake Paiute Tribe  
Reconciliation of the Statement of Revenues, Expenditures, and Change in Fund Balance of Governmental Funds  
to the Statement of Activities  
Year ended December 31, 2008

**NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS** \$ 8,332,809

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 not recorded as an expense.

Depreciation expense is not reported in the governmental funds as an expenditure. However, in the statement of activities, the cost of this contra asset is recorded as an expense.

Depreciation expense	\$	(959,567)	
Capital expenditures		244,819	
			(714,748)

Proceeds from debt is a reduction in expenditures and repayment of debt is an expenditure in the governmental funds, but the proceeds increases long-term liabilities and repayment reduces long-term liabilities in the statement of net assets.

In the current year, these amounts consist of:

Increase in accrued compensated absences		(36,393)
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**CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES** \$ 7,581,668

**FIDUCIARY FUND FINANCIAL STATEMENTS**

**Pyramid Lake Paiute Tribe**  
**STATEMENT OF FIDUCIARY NET ASSETS - RETIREMENT TRUST FUND**  
**December 31, 2008**

**ASSETS**

Contributions receivable	\$ 10,988
Investments, fair value	636,404
Participant loans	95,237
<b>TOTAL ASSETS</b>	<u><u>\$ 742,629</u></u>

**NET ASSETS**

Held in trust for benefits and distributions	<u><u>\$ 742,629</u></u>
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See accompanying notes to this financial statement.

**Pyramid Lake Paiute Tribe**  
**STATEMENT OF CHANGE IN FIDUCIARY NET ASSETS**  
**Year ended December 31, 2008**

**Additions to net assets attributed to:**

Contributions	
Employer	\$ 115,478
Participants'	85,198
Interest income	8,319
Total additions	<u>208,995</u>

**Deductions from net assets attributed to:**

Benefits paid to participants'	54,053
Net depreciation in fair value of investments	<u>185,183</u>
Total deductions	<u>239,236</u>

<b>Net decrease</b>	(30,241)
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**Net assets available for plan benefits:**

Beginning of year	<u>772,870</u>
End of year	<u><u>\$ 742,629</u></u>

See accompanying notes to this financial statement.

## **COMPONENT UNIT FINANCIAL STATEMENTS**

**Pyramid Lake Paiute Tribe**  
**Combining Statement of Net Assets - Component Units**  
**December 31, 2008**

	Pyramid Lake Housing Authority	Pyramid Lake Fisheries		
		General Fund	Permanent Fund	Total
ASSETS				
Cash and cash equivalents	\$ 51,636	\$ 475,618	\$ -	\$ 527,254
Investments	2,135,037	-	-	2,135,037
Participant receivables, net of allowances	13,182	-	-	13,182
Interest receivable	9,721	-	187,693	197,414
Grants receivable	43,732	-	-	43,732
Other receivable	1,058	-	-	1,058
Due from other government	-	229,145	-	229,145
Prepaid expenses	67,067	24,989	-	92,056
Capital assets, net	31,889	2,987,232	-	3,019,121
Deposits	32,450	7,360	-	39,810
Mutual help inventory	10,815,624	-	-	10,815,624
Restricted cash	-	-	-	-
Restricted investments	-	-	33,274,087	33,274,087
Total assets	<u>\$ 13,201,396</u>	<u>\$ 3,724,344</u>	<u>\$ 33,461,780</u>	<u>\$ 50,387,520</u>
LIABILITIES				
Accounts payable	\$ 1,628	\$ 162,607	\$ -	\$ 164,235
Accrued expenses	424	20,867	-	21,291
Deferred revenue	20,692	-	-	20,692
Tenants security deposits	4,200	-	-	4,200
Compensated absences	5,208	14,409	-	19,617
Capital leases	-	2,060	-	2,060
Deferred credits	423,860	-	-	423,860
Total liabilities	<u>456,012</u>	<u>199,943</u>	<u>-</u>	<u>655,955</u>
NET ASSETS				
Invested in capital assets, net of related debt	31,889	2,985,172	-	3,017,061
Restricted or permanent fund	-	-	33,461,780	33,461,780
Unrestricted	12,713,495	539,229	-	13,252,724
Total net assets	<u>12,745,384</u>	<u>3,524,401</u>	<u>33,461,780</u>	<u>49,731,565</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 13,201,396</u>	<u>\$ 3,724,344</u>	<u>\$ 33,461,780</u>	<u>\$ 50,387,520</u>

See accompanying notes to this financial statement.

**Pyramid Lake Paiute Tribe**  
**Combining Statement of Revenues, Expenditures and Change in Net Assets - Component Units**  
**Year ended December 31, 2008**

	Pyramid Lake Housing Authority	Pyramid Lake Fisheries		
		General Fund	Permanent Fund	Subtotal
REVENUES				
Grants and contributions	\$ 588,401	\$ 911,898	\$ -	\$ 1,500,299
Program revenue	53,690	-	-	53,690
Dwelling rent	178,837	-	-	178,837
Other	-	14,140	-	14,140
Total operating revenue	820,928	926,038	-	1,746,966
OPERATING EXPENSES				
General and administrative	321,498	995,928	-	1,317,426
Resident service	63,726	-	-	63,726
Maintenance	240,323	49,693	-	290,016
Rehabilitation	53,454	-	-	53,454
Insurance	65,347	31,583	-	96,930
Collection loss	13,350	-	-	13,350
Utilities	-	99,536	-	99,536
Vehicle and boat operating costs	-	46,210	-	46,210
Supplies	-	36,517	-	36,517
Renovation	203,417	-	-	203,417
Capital outlay	-	-	-	-
Depreciation	27,209	231,977	-	259,186
Debt service	-	626	-	626
Total operating expenses	988,324	1,492,070	-	2,480,394
OTHER FINANCING SOURCES (USES)				
Operating transfers	-	1,400,000	(1,400,000)	-
NON-OPERATING REVENUE/(EXPENSE)				
Investment income	86,957	7,719	2,264,808	2,359,484
Loss on sale of equipment	68,477	(1,983)	-	66,494
Change in net assets	(11,962)	839,704	864,808	1,692,550
Net assets - beginning of year	12,757,346	2,684,697	32,596,972	48,039,015
Net assets - end of year	\$ 12,745,384	\$ 3,524,401	\$ 33,461,780	\$ 49,731,565

See accompanying notes to this financial statement.



**Pyramid Lake Paiute Tribe**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2008**

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The primary government statements of the Pyramid Lake Paiute Tribe (the “Tribe”) have been prepared in conformity with generally accepted accounting principles (“GAAP”) as applied to government units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Tribe’s accounting policies are described below.

**1. Reporting Entity**

The Tribe is a federally recognized Tribe located in the state of Nevada. The Tribe is governed by an elected ten member council.

In addition the Tribe also operates two operations under its enterprise fund. The following is a brief discussion of these operations.

I-80 Smoke Shop – The I-80 Smoke Shop convenience store is located in Wadsworth, Nevada and sells tobacco products, gasoline and sundry items.

The Nixon Store – The Nixon Store is a convenience store located in Nixon, Nevada and sells gasoline and sundry items.

The basic financial statements of the Tribe present the reporting entity, which consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the Tribe’s basic financial statements to be misleading or incomplete. Accordingly, the accompanying basic financial statements reflect the financial position and the operations of the Tribe received, disbursed or in the custody of the Tribe or the Bureau of Indian Affairs and the United States Treasury, as its trustee, as well as all other funds and activities over which the Tribe exercises financial accountability. In the GASB 34 reporting model, the focus is on the Tribe as a whole in the government-wide financial statements, while reporting additional and detailed information about the Tribe’s major governmental and business-type activities in fund financial statements.

**Discretely Presented Component Units**

The component units’ column in the government-wide financial statements includes the financial data of the Tribe’s discretely presented component units. These discretely presented component units are reported in a separate column to emphasize that they are legally separate from the primary government. The following component units of the Tribe, as defined by GASB Statement No. 14, are financially independent of the Tribe, designate their own management, have the ability to significantly influence their own operations and are accountable for their own fiscal matters.

**Pyramid Lake Paiute Tribe**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2008**

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

However, because the Tribal Council appoints each governing body and approves the budgets of the component units, the Tribe is financially accountable for these entities.

Pyramid Lake Housing Authority – The purpose of the Pyramid Lake Housing Authority is the administration of the Indian Housing Block Grant. The Indian Housing Block Grant is the federal government's major program for assisting low-income families, the elderly, and the disabled in obtaining decent, safe, and sanitary housing.

Pyramid Lake Fisheries - The purpose of Pyramid Lake Fisheries is to promote, develop and operate Pyramid Lake Fisheries' operation and maintenance program. The financial statements present the financial position, results of operations and changes in fund balances of those funds under the direct jurisdiction of the Board of Trustees of Pyramid Lake Fisheries, Sutcliffe, Nevada.

**2. Basis of Presentation**

Government Wide Financial Statements

The government-wide financial statements provide operational accountability information for the Tribe as an economic unit. The government-wide financial statements report the Tribe's ability to maintain service levels and continue to meet its obligations as they come due. The statements include all governmental activities and all business-type activities of the primary government and its component units. These statements include the Statement of Net Assets and the Statement of Activities as directed by GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* ("GASB 34"). Under GASB 34 reporting, fiduciary funds and fiduciary-type component units are omitted from the government-wide financial statements.

Governmental activities are financed primarily through investment income, intergovernmental revenues, and other governmental revenues.

The government-wide statement of activities reflects the cost of programs and functions reduced by directly associated revenues (charges for services and operating grants) to arrive at the net revenue or expense for each program and function. Net program revenue or expense for governmental activities is then adjusted for general revenues to determine the change in net assets for the year. Indirect expenses such as support services and administration incurred in the general government and other functions/activities are not allocated to programs/functions that they may benefit. When both restricted and unrestricted resources are available for use, it is the Tribe's policy to use restricted resources first, then unrestricted resources as they are needed.

**Pyramid Lake Paiute Tribe**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2008**

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

The government-wide statements are accounted for using 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. Non-exchange transactions, in which the Tribe gives (or receives) value without directly receiving (or giving) equal value in exchange include grants, entitlements, and donations. On an accrual basis, revenue from grants, entitlements and donations is recognized in the fiscal year in which eligibility requirements have been satisfied.

Fund Financial Statements

The fund financial statements provide information about the Tribe's funds. Separate statements for each fund category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed as a separate column. The General Fund is always a major fund. Other major funds are determined as funds whose revenues, expenditures/expenses, assets or liabilities are at least ten percent of the totals for all governmental or enterprise funds and at least five percent of the aggregate amount for all governmental and enterprise funds for the same item or funds designated as major at the discretion of the Tribe. All remaining governmental funds are aggregated and reported as non-major funds.

Governmental Funds

Governmental funds are used to account for the revenues and expenditures of governmental services provided by the Tribe. Governmental funds are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Tribe considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred except for principal and interest on general long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions under capital leases are reported as other financing sources.

Governmental fund financial statements include a balance sheet and a statement of revenues, expenditures and change in fund balance for all major governmental funds and non-major funds aggregated. A reconciliation is presented to summarize the differences in fund balances of the governmental fund financial statements.

**Pyramid Lake Paiute Tribe**  
**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2008**

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

The Tribe reports the following major governmental funds:

*General Fund* – The General Fund is used to account for all general governmental activities not accounted for in some other fund. Its revenues are provided primarily from indirect cost reimbursement, taxes, permits and fees, and rents and leases. The principal expenditures of the General Fund relate to the general administration of the Tribe, education, natural resource management, public safety, and culture and recreation.

*Investment Trust Fund* – The Investment Trust Fund of the Tribe is a governmental fund consisting primarily of funds established under Public Law 101-618, titled the “Fallon Paiute Shoshone Tribal Settlement Act”, to promote Tribal Economic Development for which the income from the investment of such assets is available to expend. The original principal amounts and investment income thereon can only be expended on Tribal projects and governmental services, in accordance with a plan approved by the Secretary of the United States Department of Interior, with the objectives to develop long-term, profit-making opportunities for the Tribe and its members and to establish high quality recreation at Pyramid Lake using the unique natural and cultural resources of the reservation. The fund also receives unrestricted sand and gravel revenues, which are eligible to be paid to the General Fund.

*Bureau of Indian Affairs (BLA) Fund*– This fund accounts for the revenues and expenditures related to the Tribe’s grant awards from the Bureau of Indian Affairs. These funds are used to fund education, natural resources and other various activities.

*Department of Health and Human Services (DHHS) Fund* – This fund accounts for the revenues and expenditures related to the Tribe’s grant awards from the U.S. Department of Health and Human Services. The Tribe provides health care services to eligible participants with these revenues.

*Environmental Protection Agency (EPA) Fund* – This fund accounts for the revenues and expenditures related to the Tribe’s grant awards from the Environmental Protection Agency. The Tribe uses these funds for various environmental programs including those related to the Truckee River and Pyramid Lake.

*Department of Energy Fund* – This fund accounts for the revenues and expenditures related to the Tribe’s grant awards from the Department of Energy. The majority of these funds are for the Pyramid Lake Renewable Energy Park.

*Aggregate Non-major Government Funds* – This fund accounts for revenues and expenditures related to all non-major funds. The Tribe provides numerous services with these revenues including education, social and judicial.

The Pyramid Lake Fisheries component unit reports two fund types as follows

**Pyramid Lake Paiute Tribe**  
**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2008**

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

*General Fund* – The General Fund is classified as a Governmental Fund and uses the modified accrual basis of accounting whereby revenues are recognized when measurable and available and expenditures are recognized when liabilities are incurred. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Fisheries considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. The General Fund is the Fisheries unrestricted fund and is used to account for all financial resources and expenditures except those properly accounted for in another fund.

*Permanent Fund* – The Permanent Fund is classified as a Governmental Fund and is used to account for all trust assets, liabilities, fund balances, revenue and transfers on the modified accrual basis of accounting whereby revenues are recognized when measurable and available and expenditures are recognized when incurred as noted above.

The Permanent Fund is used to account for assets held on behalf of outside parties. The Fund includes resources in which the Fisheries is under an obligation to maintain the trust principal. These funds were established under Public Law 101-618, titled the “Fallon Paiute Shoshone Tribal Settlement Act.”

Fiduciary Fund

Fiduciary funds account for those funds held in a trustee or agency capacity for others and therefore cannot be used to support the government’s own programs. As a result, these funds are not included in the Government-wide financial statements. Fiduciary funds are accounted for using the accrual basis of accounting.

*Retirement Trust Fund* – This fund is used to account for assets held by the Tribe in a trustee capacity for the Tribe’s Retirement Plan. The Tribe does not have a policy regarding legal or contractual provisions limiting the nature or types of allowable investments.

**3. Cash and Cash Equivalents**

Cash and cash equivalents includes cash on hand, deposits with banks, and other highly liquid investments with original maturities of three months or less.

**4. Restricted Cash and Investments**

The Treasury of the United States appropriated \$25,000,000 as the “Pyramid Lake Fisheries Fund.” This fund was established under Public Law 101-618, titled the “Fallon Paiute Shoshone Tribal Settlement Act,” to allow the Tribe to assume financial responsibility for the operation and maintenance of Pyramid Lake Fisheries.

**Pyramid Lake Paiute Tribe**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2008**

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

Under the terms of this settlement, the principal is unavailable for withdrawal and the interest earned is available for the purposes of operation and maintenance of the Fisheries' facilities at Pyramid Lake, excluding Marble Bluff Dam and Fishway, and for Conservation of the Pyramid Lake Fisheries in accordance with plans prepared by the Pyramid Lake Paiute Tribe in consultation with, and the concurrence of, the United States Fish and Wildlife Service and approved by the Secretary of the Treasury ("Secretary").

Of interest earned annually on the principal, the lesser of 25% a year or an amount which, in the sole judgment of the Secretary, is sufficient to maintain the principal of the fund at \$25 million in 1990 constant dollars will be retained in the fund as principal and cannot be withdrawn. Any interest not expended, added to principal, or obligated by the Tribe within four years after the year in which it is accrued is to be credited to the Lahontan Valley and Pyramid Lake Fish and Wildlife Fund administered by the United States Fish and Wildlife Service.

**5. Investments**

The Tribe's investments are recorded at fair market value in accordance with Statement 31 of the Governmental Accounting Standards Board.

Investment instruments held by the Pyramid Lake Housing Authority consist only of items specifically approved for public housing agencies by HUD. Investments are either insured or collateralized using the dedicated method. Under the dedicated method of collateralization, all deposits and investments over the federal deposit insurance coverage are to be collateralized with securities held by the Authority's agent in the Authority's name. It is the Authority's policy that all funds on deposit are collateralized in accordance with HUD requirements.

Investments held by the Pyramid Lake Fisheries are held in the Permanent Fund and are stated at fair market value. The Fisheries, through the US Treasury, invests in various mortgage-backed securities such as collateralized mortgage obligations, principal-only strips and federal agency bonds.

**6. Interfund Transactions**

During the course of operation, transactions occur between individual funds for goods provided or services rendered. These receivables and payables are properly classified as "due from other funds" or "due to other funds" in the fund financial statements, and are eliminated in the government-wide statement of net assets, except those between the Tribe and its component units. Quasi-external transactions are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the fund that is reimbursed. All other interfund transfers are reported as operating transfers.

**Pyramid Lake Paiute Tribe**  
**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2008**

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**7. Accounts Receivable**

Grants and contracts receivable consists of amounts due for reimbursement of approved expenditures on grants and contracts entered into with various governmental agencies. The Tribe considers all grant and contract receivables to be collectable therefore an allowance for bad debt has not been recorded.

**8. Inventories**

Inventories are reported at the lower of cost or market and consist of miscellaneous supplies in the general fund. Inventories for the component units consist of consumable supplies for use in operation of the businesses.

Homes owned by the Pyramid Lake Housing Authority and held under its mutual help agreements remain assets of the Authority and are reported on the statement of net assets as mutual help inventory and totaled \$10,815,624 at December 31, 2008.

**9. Property Held for Resale**

As part of the Tribe's Water Rights Acquisition Program, the Tribe at times purchases parcels of land then resells the land while retaining the water rights associated with the land. At December 31, 2008 the Tribe held two parcels valued at \$699,900.

**10. Prepaid Expenses and Supplies**

The cost of governmental fund type insurance and other prepaid expenses are recorded on the consumption method.

**11. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable government-wide financial statements. Capital assets are defined by the Tribe as equipment and land improvements assets with initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. All capital assets are required to be recorded at historical cost or estimated historical cost if actual cost is not available. Donated fixed assets are to be valued at their estimated fair value on the date donated.

**Pyramid Lake Paiute Tribe**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2008**

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

Capital assets acquired by governmental fund types are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds and the related assets are required to be reported in the government-wide statement of net assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets as applicable.

**12. Compensated Absences**

The Tribe accrues the cost of unpaid vacation leave earned in the statement of net assets. Such amounts are not recorded as a liability in the fund statements. No liability is recorded for non-vested accumulated rights to receive sick pay benefits.

**13. Deferred Revenue**

Deferred revenues arise when potential revenues do not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenues also arise when resources are received by the government before it has a legal claim to them as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed and revenue is recognized.

**14. Deferred Credits**

Under the terms of the mutual help regulations, monthly equity payment accounts are maintained by the Pyramid Lake Housing Authority for each homeowner and are classified as deferred credits until such time as a home is conveyed to a homeowner. Accordingly, these deferred credits are classified as long-term liabilities on the Authority’s statement of net assets and totaled \$423,860 at December 31, 2008.

**15. Use of Estimates**

Reporting in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**16. Federal Income Taxes**

As a Tribal government, the Tribe has no Federal income tax liability.



**Pyramid Lake Paiute Tribe**  
**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2008**

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**17. Budgets**

Budgets are adopted annually as management tools. Since the Tribal Council does not adopt legally appropriated budgets as defined by the GASB, budget to actual comparisons are not presented in these financial statements.

**NOTE B – CASH AND CASH EQUIVALENTS**

**Custodial Credit Risk (Cash)** – Custodial credit risk on deposits is the risk that in the event of a bank failure, the Tribe's deposits may not be returned to it. The Tribe does not have bank deposit policies to address custodial credit risk.

At December 31, 2008, of the Tribe's bank balance, \$5,252,637 was exposed to custodial credit risk because it was uninsured and/or uncollateralized.

	Carrying Balance	Bank Balance
Cash on hand	\$ 1,475	\$ -
Cash deposited with financial institutions which is fully insured	464,014	464,014
Cash deposited in non-interest bearing accounts with financial institutions which is fully insured	419,886	611,968
Cash deposited with financial institutions which is fully collateralized by securities held by pledging financial institution	3,791,025	3,791,025
Cash equivalent held by Bureau of Indian Affairs in U.S. Government securities	16,457,988	16,457,988
Cash deposited with financial institutions which is uninsured and uncollateralized	6,255,300	5,252,637
Total balance	<u>\$ 27,389,688</u>	<u>\$ 26,577,632</u>

Cash consists of the following at December 31, 2008:

Unrestricted cash	\$ 9,195,375
Restricted cash	18,194,313
	<u>\$ 27,389,688</u>

Restricted cash and investments consist of funds in the Investment Trust Fund, which are restricted for use under the terms of the Fallon Paiute Shoshone Tribal Settlement Act.

At December 31, 2008, the Pyramid Lake Fisheries had \$475,418 of unrestricted deposits held in the governmental fund. The bank balance was \$477,294 of which \$250,000 was covered by federal depository insurance and \$227,294 was uninsured.

**Pyramid Lake Paiute Tribe**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2008**

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**NOTE B – CASH AND CASH EQUIVALENTS- continued**

At December 31, 2008, the Pyramid Lake Housing Authority had \$51,636 in unrestricted deposits. The bank balance was \$128,716 which included bank deposits covered entirely by federal depository insurance and money market deposits in the amount of \$31,702 that were not covered by insurance or collateral.

**NOTE C – INVESTMENTS**

**Custodial Credit Risk** – Custodial credit risk on investments is the risk that in the event of a failure of the counterparty, the Tribe will not be able to recover the value of its investments that are in the possession of an outside party. The Tribe does not have an investment policy to address custodial credit risk. All of the Tribe's investments are held in U.S. government obligation or bank certificates of deposit with securities held by the Bureau of Indian Affairs or by financial institutions in the Tribe's name.

In accordance with 24 CFR 1000.58(c)(1), the Pyramid Lake Housing Authority may invest only in obligations of the federal government or accounts insured by an agency of the federal government. Such investments include obligations issued by government – sponsored agencies, securities that are guaranteed or insured by the United States, and mutual funds registered with the Securities and Exchange Commission which invest only in obligations of the United States or securities that are guaranteed or insured by the United States. At December 31, 2008, credit risk for the Authority's investments was as follows:

<u>Investment Type</u>	<u>Rating</u>	<u>Rating Agency</u>	<u>Amount</u>
U.S. agency securities	Aaa	Moody's	\$ 2,040,037
Certificate of deposit	Unrated	Not applicable	95,000
			<u>\$ 2,135,037</u>

**Interest Rate Risk** – Interest rate risk on investments is the risk that in the event of a significant increase in interest rates, the Tribe's investments could drop significantly in value. The Tribe does not have an investment policy to address interest rate risk. At December 31, 2008, the Tribe had the following investments subject to interest rate risk:

	<u>Fair Value</u>	<u>Maturing in Less than One Year</u>	<u>Maturing in One to Five Years</u>	<u>Maturing in Five to Ten Years</u>	<u>Maturing in More Than Ten Years</u>
Certificates of deposit	\$ 175,286	\$ 175,286	\$ -	\$ -	\$ -
U.S Government Securities	75,188,780	6,625,765	27,147,383	14,692,073	26,723,559
	<u>\$ 75,364,066</u>	<u>\$ 6,801,051</u>	<u>\$ 27,147,383</u>	<u>\$ 14,692,073</u>	<u>\$ 26,723,559</u>

**Pyramid Lake Paiute Tribe**  
**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2008**

**NOTE C – INVESTMENTS- continued**

**Credit Risk** – Credit risk on investments is the risk that the issuer of fixed income securities may not be able to meet its repayment obligations to the Tribe. The Tribe does not have an investment policy to address credit risk. The Tribe's investments are primarily U.S. government securities.

**Retirement Trust Fund** – In addition, the Tribe's Retirement Trust Fund holds \$636,404 in mutual funds, which are invested at the direction of individual participants. These funds may be subject to interest rate risks, credit risks or concentration of credit risks.

**Pyramid Lake Fisheries** – As of December 31, 2008, all cash and investments in the Fisheries' permanent fund are invested by the Secretary of the Interior and the Secretary of the Treasury in interest-bearing deposits and securities in accordance with the Act of June 24, 1938. The funds are uninsured and unregistered and are held in the name of the Secretary of the Treasury.

The following is a summary of investments held at December 31, 2008:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Loss</u>
U.S. Government agency bonds, principal only	\$ 32,749,269	\$ 32,836,599	\$ 87,330
strips and mortgage backed securities	437,488	437,488	-
Government money market	<u>\$ 33,186,757</u>	<u>\$ 33,274,087</u>	<u>\$ 87,330</u>

**NOTE D – CAPITAL ASSETS**

Capital assets of the primary government consist of the following at December 31, 2008:

Non-depreciable	
Land	\$ 10,589,419
Museum artifacts	86,700
Depreciable	
Land improvements	5,091,850
Infrastructure	7,588,417
Buildings	16,572,628
Machinery and equipment	5,026,645
Total cost	<u>44,955,659</u>
Less: accumulated depreciation	<u>(19,005,477)</u>
	<u>\$ 25,950,182</u>

**Pyramid Lake Paiute Tribe**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2008**

**NOTE D – CAPITAL ASSETS - continued**

The following table summarizes changes in capital assets of the primary government for 2008.

	<u>December</u> <u>31, 2007</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>December</u> <u>31, 2008</u>
Non-depreciable					
Land	\$ 10,589,419	\$ -	\$ -	\$ -	\$ 10,589,419
Museum artifacts	86,700	-	-	-	86,700
Depreciable					
Land improvements	5,091,850	-	-	-	5,091,850
Infrastructure	7,564,595	23,822	-	-	7,588,417
Buildings	16,572,628	-	-	-	16,572,628
Machinery and equipment	4,805,648	220,997	-	-	5,026,645
Total cost	44,710,840	244,819	-	-	44,955,659
Less: accumulated depreciation	(18,045,910)	(959,567)	-	-	(19,005,477)
	<u>\$ 26,664,930</u>	<u>\$ (714,748)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,950,182</u>

Capital assets of the component units consist of the following at December 31, 2008:

	Pyramid Lake Housing Authority	Fisheries	Total
Non-depreciation			
Construction in progress	\$ -	\$ 1,234,473	\$ 1,234,473
Depreciable			
Buildings and land improvements	107,448	3,553,498	3,660,946
Equipment and furniture	212,158	1,096,202	1,308,360
Rentals	3,188,724	-	3,188,724
Vehicles and boats	-	631,407	631,407
Total cost	3,508,330	6,515,580	10,023,910
Less: accumulated depreciation	(3,476,441)	(3,528,348)	(7,004,789)
	<u>\$ 31,889</u>	<u>\$ 2,987,232</u>	<u>\$ 3,019,121</u>

**Pyramid Lake Paiute Tribe**  
**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2008**

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**NOTE D – CAPITAL ASSETS - continued**

Under federal regulations, when assets acquired under a grant are no longer needed, disposition of the asset may require the return of the asset or a portion of the proceeds from the sale to the awarding agency.

Depreciation expense totaled \$959,567 for governmental type activities for the year ended December 31, 2008. Depreciation was allocated to governmental activities as follows:

General government	\$ 125,347
Education	377,965
Natural resources	29,255
Health and welfare	174,513
Public safety	113,353
Social services	31,715
Judicial services	19,913
Culture and recreation	37,971
Roads and transportation	49,535
Total	<u>\$ 959,567</u>

**NOTE E – LONG TERM DEBT**

Capital Leases

On January 13, 2004, the Fisheries entered into a lease agreement with General Motors Corporation to purchase a 2004 Chevrolet pickup truck with a fair market value of \$19,963. The Fisheries paid \$3,000 down and financed \$16,963. The lease is payable in 60 monthly installments of \$283, with zero interest, and the final payment is due on January 13, 2009.

On January 21, 2004, the Fisheries entered into a lease agreement with General Motors Corporation to purchase a 2004 Chevrolet pickup truck with a fair market value of \$42,673. The Fisheries paid \$900 down using a rebate and financed \$41,773. The lease is payable in 60 monthly installments of \$696 with zero interest and the final payment is due on January 21, 2009.

On February 6, 2004, the Fisheries entered into a lease agreement with General Motors Corporation to purchase a 2004 Chevrolet pickup truck with a fair market value of \$32,440. The Fisheries financed the entire amount. The lease is payable in 60 monthly installments of \$541, with zero interest, and the final payment is due on February 6, 2009.

The future lease payments of the Fisheries under the leases at December 31, 2008 are as follows:

<u>Year ending</u> <u>December 31,</u>	<u>Principal</u>
2009	\$ 2,060

**Pyramid Lake Paiute Tribe**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2008**

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**NOTE F – RETIREMENT PLAN**

Sec. 401(k) Retirement Plan

The Tribe administers the Pyramid Lake Paiute Tribe Retirement Plan (the “Plan”) whereby all employees may defer a portion of their salary up to government established limits. The Tribe may also make discretionary contributions to the Plan. The employees’ contributions are fully vested at all times and employer’s contributions are vested after an employee completes two Plan years of service.

The following is a summary of the changes in assets of the Plan:

	Sec. 401(k) Plan
Balance at December 31, 2007	\$ 772,870
Employer and participant contributions	200,676
Interest income	8,319
Benefits paid to participants	(54,053)
Net depreciation in fair value of investments	(185,183)
	<hr/>
Balance at December 31, 2008	\$ 742,629

The Pyramid Lake Housing Authority participates in a defined contribution plan sponsored by the Pyramid Lake Paiute Tribe established under section 401(k) of the Internal Revenue Code. All eligible employees may participate. Under the plan, the Authority matches up to 5% of qualifying employee’s wages. Employer contributions were not material for the year ended December 31, 2008.

Pension Plan

The Pyramid Lake Fisheries maintains a defined contribution pension plan with Massachusetts Mutual Life Insurance Company. All are eligible to join the plan at the beginning of employment and begin participating on the subsequent plan entry date.

The Fisheries contributes an amount equal to 6% of eligible employee compensation to the plan. Participants are required to contribute 1% of their compensation and can voluntarily contribute up to an additional 11%. Vesting begins after completing one year of service and reaches 100% after completing five years. Participants are automatically 100% vested in the employee portion of their account balance.

Pyramid Lake Fisheries total payroll in 2008 subject to contributions was \$741,166. The Fisheries’ contribution portion was \$44,470.

**Pyramid Lake Paiute Tribe**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2008**

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**NOTE G – INTERFUND TRANSACTIONS**

The Tribe utilizes interfund accounts for temporary borrowing between funds. No repayment dates have been established for interfund balances.

As of December 31, 2008, the Tribe had a receivable from its enterprise fund, the I-80 Smoke Shop, of \$255,882.

Routine transfers are done between governmental funds over to fund Tribal programs to supplement programs funded by grants and contracts.

The Pyramid Lake Fisheries made a transfer from its Permanent Fund to its General Fund in the amount of \$1,400,000 during the fiscal year. The transfer was for general operations of the Fisheries and is done every year.

**NOTE H – RESTRICTED NET ASSETS**

As discussed in Note A, net assets of the Investment Trust Fund governmental fund are restricted for certain purposes under Public Law 101-618, the Fallon Paiute Shoshone Tribal Settlement Act.

**NOTE I – RISK MANAGEMENT**

The Tribe is exposed to various risk related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Tribe carries commercial insurance for risk of loss. The Tribe did not have settled claims in excess of its commercial insurance coverage in the past three years.

**NOTE J – OTHER CONTINGENCIES**

The Tribe receives the majority of its support for its governmental activities from federal and state governments. A severe reduction in the level of this support, if this were to occur, may have a significant effect on the Tribe's special revenue programs and activities.

**NOTE K – CURRENT CONCENTRATIONS**

The Tribe receives federal grants for various specific purposes. These grants are subject to audit, which may result in requests for reimbursements to granting agencies for expenditures disallowed under the terms of the grants. Based on prior experience, Tribe management believes that such disallowance, if any, will not be material to the financial statements.

The Pyramid Lake Housing Authority received approximately 83% of its revenues from Department of Housing and Urban Development ("HUD"). If the amounts of revenues received from HUD falls below critical levels, the Authority's operating results could be adversely affected.

**Pyramid Lake Paiute Tribe**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2008**

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**NOTE K – CURRENT CONCENTRATIONS - continued**

In addition, the Authority operates in a heavily regulated environment. The operations of the Authority are subject to the administrative directives, rules and regulations of federal state and local regulatory agencies, including, but not limited to HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

**NOTE L – PRIOR PERIOD ADJUSTMENTS**

The prior period adjustment consisted of two adjustments. Firstly the Tribe reclassified several grants between funds resulting in a net effect to the prior period of \$47,570. Additionally, the Tribe in 2007 did not zero a Bureau of Indian Affairs (BIA) award therefore resulting in a current year adjustment from deferred revenue to fund balance in the amount of \$799,800. Of that amount \$699,900 was reclassified to reserved fund balance to correctly recognize the BIA's restriction on those funds.



## **SUPPLEMENTAL INFORMATION**

Pyramid Lake Paiute Tribe  
Combining Balance Sheet - Non-Major Governmental Funds  
December 31, 2008

ASSETS

ASSETS	Department of Agriculture	Department of Education	Department of Homeland Security	Department of Justice	Institute of Museum and Library Services	Department of Transportation	Non-Federal	Total
Unrestricted cash and cash equivalents	\$ 187,434	\$ 1,407,875	\$ -	\$ -	\$ -	\$ -	\$ 411,729	\$ 2,007,038
Unrestricted investments	-	-	-	-	-	-	-	-
Receivables	-	-	-	-	-	-	-	-
Contracts and grants, net of allowances	-	28,667	18,827	309,454	62,096	7,337	50,441	476,822
Due from enterprise funds	-	-	-	-	-	-	-	-
Other	-	-	-	-	150	-	-	150
Property held for resale	-	-	-	-	-	-	-	-
Restricted cash	-	-	-	-	-	-	-	-
Restricted investments	-	-	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 187,434</b>	<b>\$ 1,436,542</b>	<b>\$ 18,827</b>	<b>\$ 309,454</b>	<b>\$ 62,246</b>	<b>\$ 7,337</b>	<b>\$ 462,170</b>	<b>\$ 2,484,010</b>

LIABILITIES AND FUND BALANCES

<b>LIABILITIES</b>								
Accounts payable	\$ -	\$ 7,598	\$ -	\$ 299,918	62,191	\$ -	\$ (135)	\$ 369,572
Accrued expenses	-	17,850	-	6,318	-	-	(2,822)	21,346
Due to other funds	-	-	-	-	-	-	-	-
Deferred revenue	187,434	1,411,094	18,827	3,218	55	7,337	99,861	1,727,826
Due to other funds	-	-	-	-	-	-	2,380	2,380
<b>Total liabilities</b>	<b>187,434</b>	<b>1,436,542</b>	<b>18,827</b>	<b>309,454</b>	<b>62,246</b>	<b>7,337</b>	<b>99,284</b>	<b>2,121,124</b>

FUND BALANCES

Reserved	-	-	-	-	-	-	-	-
Unreserved	-	-	-	-	-	-	362,886	362,886
<b>Total fund balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>362,886</b>	<b>362,886</b>

**TOTAL LIABILITIES AND FUND BALANCES**

	\$ 187,434	\$ 1,436,542	\$ 18,827	\$ 309,454	\$ 62,246	\$ 7,337	\$ 462,170	\$ 2,484,010
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Pyramid Lake Paiute Tribe  
Combining Statement of Revenues, Expenditures and Change in Fund Balance - Non-Major Governmental Funds  
Year ended December 31, 2008

	Department of Agriculture	Department of Education	Department of Homeland Security	Department of Justice	Institute of Museum and Library Services	Department of Transportation	Non-Federal	Total
<b>REVENUES</b>								
Grants	\$ (5,459)	\$ 948,857	\$ (2,670)	\$ 810,034	\$ 28,749	\$ 357	\$ 230,115	\$ 2,009,983
Investment income	-	-	-	-	-	-	332	332
Indirect	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	80,152	80,152
Water rights income	-	-	-	-	-	-	-	-
Program income	-	-	-	-	-	-	-	-
Permits and fees	-	-	-	-	-	-	-	-
Taxes	-	-	-	-	-	-	-	-
Rent and lease	-	-	-	-	-	-	-	-
Total revenues	(5,459)	948,857	(2,670)	810,034	28,749	357	310,599	2,090,467
<b>EXPENDITURES</b>								
Current								
General government	22	-	-	90,422	-	-	-	90,444
Education	-	675,403	-	-	-	-	-	675,403
Natural resources	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	-
Public safety	-	-	-	127,553	-	-	64,300	191,853
Social services	-	-	-	273,341	-	-	73,601	346,942
Judicial services	-	-	-	209,122	-	-	-	209,122
Culture and recreation	-	-	-	-	28,749	-	-	28,749
Roads and transportation	-	-	-	-	-	7,360	23,899	31,259
Capital outlay	-	-	-	129,902	-	-	-	129,902
Total expenditures	22	675,403	-	830,340	28,749	7,360	161,800	1,703,674
<b>REVENUES OVER/(UNDER) EXPENDITURES</b>	(5,481)	273,454	(2,670)	(20,306)	-	(7,003)	148,799	386,793
<b>OTHER FINANCING SOURCES</b>								
Transfers	5,481	(273,454)	2,670	20,306	-	7,003	(148,799)	(386,793)
<b>REVENUES AND OTHER FINANCING SOURCES</b>	-	-	-	-	-	-	-	-
<b>FUND BALANCE</b>								
Beginning of year	-	-	-	-	(50,392)	-	362,886	312,494
Prior period adjustment	-	-	-	-	50,392	-	-	50,392
<b>FUND BALANCE</b>								
End of year	-	-	-	-	-	-	362,886	\$ 362,886

See accompanying notes to this financial statement.

**Pyramid Lake Paiute Tribe**  
**Statement of Revenues, Expenditures and Change in Fund Balance - Budget to Actual - General Fund**  
**Year ended December 31, 2008**

	Original	Final	Actual	Variance with Final Budget - Over/(Under)
<b>REVENUES</b>				
Grants	\$ -	\$ -	\$ -	\$ -
Investment income	165,000	165,000	49,799	(115,201)
Indirect	1,015,859	1,015,859	1,695,188	679,329
Other	30,000	30,000	597,356	567,356
Water rights income	1,100,000	1,100,000	3,100,000	2,000,000
Program income	51,810	51,810	1,250,197	1,198,387
Permits and fees	785,493	785,493	933,978	148,485
Taxes	434,151	434,151	374,955	(59,196)
Rent and lease	368,478	368,478	231,343	(137,135)
Total revenues	<u>\$ 3,950,791</u>	<u>\$ 3,950,791</u>	<u>\$ 8,232,816</u>	<u>\$ 4,282,025</u>
<b>EXPENDITURES</b>				
Current				
General government	2,946,777	2,946,777	4,496,435	1,549,658
Education	113,068	113,068	150,619	37,551
Natural resources	-	-	(352)	(352)
Health and welfare	243,212	243,212	249,657	6,445
Public safety	782,181	782,181	858,992	76,811
Social services	43,374	43,374	111,771	68,397
Judicial services	19,115	19,115	-	(19,115)
Culture and recreation	140,019	140,019	99,301	(40,718)
Capital outlay	59,353	59,353	30,845	(28,508)
Total expenditures	<u>4,347,099</u>	<u>4,347,099</u>	<u>5,997,268</u>	<u>1,650,169</u>
<b>REVENUES OVER/(UNDER) EXPENDITURES</b>	<u>(396,308)</u>	<u>(396,308)</u>	<u>2,235,548</u>	<u>2,631,856</u>
<b>OTHER FINANCING SOURCES/(USES)</b>				
Transfers	-	-	1,574,348	1,574,348
<b>OVER/(UNDER) EXPENDITURES</b>	<u>\$ (396,308)</u>	<u>\$ (396,308)</u>	<u>3,809,896</u>	<u>4,206,204</u>
<b>FUND DEFICIT</b>				
Beginning of year			(1,827,792)	
Prior period adjustment			(4,705)	
<b>FUND BALANCE</b>				
End of year			<u>\$ 1,977,399</u>	

See accompanying notes to this financial statement.

Pyramid Lake Paiute Tribe  
Combining Schedule of Expenditures- Governmental Funds  
Year Ended December 31, 2008

Major Funds

	General		Total General	BIA	DHHS	EPA	Department of Energy	Aggregate Nonmajor Fund	Total
	Direct	Indirect							
Audit	\$ -	\$ 183,111	\$ 183,111	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 183,111
Consultants	903,341	167,239	1,070,580	591,147	267,454	165,358	1,466	35,013	2,131,018
Equipment lease	3,886	14,932	18,818	28,340	36,213	3,539	-	-	86,910
Fringe benefits	195,583	160,318	355,901	286,086	191,675	70,967	13,324	160,203	1,078,156
Insurance	-	218,291	218,291	-	-	-	-	-	218,291
Legal	23,400	17,362	40,762	-	-	-	-	-	40,762
Miscellaneous	429,233	90,535	519,768	806,666	280,543	2,862	297	257,430	1,867,566
Postage	20	14,115	14,135	396	-	549	-	-	15,080
Printing	1,696	12,451	14,147	2,964	60	1,716	-	-	18,887
Repairs and maintenance	248,610	50,015	298,625	51,196	50,861	9,024	-	4,821	414,527
Salaries	991,237	777,438	1,768,675	1,356,620	942,891	308,091	47,214	865,295	5,288,786
Stipends	58,736	41,775	100,511	20,450	2,200	-	-	700	123,861
Supplies	108,756	85,402	194,158	62,679	60,126	47,920	1,856	256,986	623,725
Telephone	2,059	48,280	50,339	23,132	13,141	5,992	147	1,143	93,894
Training	16,918	5,022	21,940	4,948	8,121	4,214	-	3,407	42,630
Travel	28,594	8,935	37,529	13,868	26,435	42,351	852	50,567	171,602
Utilities	78,416	143,853	222,269	182,867	60,500	5,357	726	8,305	480,024
Vehicle	108,317	50,652	158,969	149,791	3,361	3,263	870	8,419	324,673
Indirect cost	708,740	-	708,740	456,310	317,928	148,882	11,943	51,385	1,695,188
Total expenditures	\$ 3,907,542	\$ 2,089,726	\$ 5,997,268	\$ 4,037,460	\$ 2,261,509	\$ 820,085	\$ 78,695	\$ 1,703,674	\$ 14,898,691

See accompanying notes to this financial statement.

**Pyramid Lake Paiute Tribe**  
**Schedule of Expenditures of Federal and Non-Federal Awards**  
**Year Ended December 31, 2008**

<u>Fund No.</u>	<u>Grant/Contract Name</u>	<u>Grant Identification Number</u>	<u>CFDA#</u>	<u>Expenditures</u>
<b>DEPARTMENT OF THE INTERIOR - Bureau of Indian Affairs</b>				
137	BIA Integrated Weed Management	GTH61T65135	15.020	\$ 16,245
137A	BIA Integrated Weed Management	GTH61T65135	15.020	506
145	Enrollment	CTH61T65124	15.020	2,803
	Total Aid to Tribal Governments			<u>\$ 19,554</u>
148	Judicial Services	CTH61T65101	15.029	126,534
152	Law Enforcement	CTH61T65117	15.030	\$ 374,729
371	Indian Highway Safety Program	PT-07-12-06	15.030	147
391	Indian Highway Safety Program	PT-08-19	15.030	188,480
	Total Indian Law Enforcement			<u>\$ 563,356</u>
154	Road Maintenance	CTH61T65104	15.033	100,697
158	Water Resources	CTH61T65106	15.037	49,216
166	Mineral Assessment	CTH61T65120	15.038	72,615
333-7	ISEP & Transportation 06-07	GTJ50T65117	15.042	\$ 1,151
333-8	ISEP & Transportation 07-08	GTJ50T65118	15.042	724,271
333-9	ISEP & Transportation 08-09	GTJ50T65119	15.042	476,917
	Total Indian School Equalization Program			<u>\$ 1,202,339</u>
336-7	Operations and Maintenance 07-08	GTJ50T65117	15.047	\$ 165
336-8	Operations and Maintenance 07-08	GTJ50T65118	15.047	259,407
336-9	Operations and Maintenance 08-09	GTJ50T65119	15.047	125,633
	Total Indian Education Facilities, Operations and Maintenance			<u>\$ 385,205</u>
376	Attorney Fees Grant	CTH61T65147	15.053	66,115
150	Social Services	CTH61T65102	15.113	270,703
144	Higher Education and AVT	CTH61T65123	15.114	72,568
142	Johnson O'Malley	CTH61T65103	15.130	50,813
162	Housing Improvement	CTH61T65118	15.141	352,259
375	Desert Terminal Lakes Project	07FG200124	15.508	412,466
370	Native American Graves Project	32-06-GP-428	15.922	14,259
153	Water Rights Acquisition	CTH61T65127	15.xxx	278,867
420	PLHIS ISEP & Transportation	GTJ50T65115	15.xxx	(106)
	Total Department of the Interior			<u>\$ 4,037,460</u>
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
182	Numaga/Title VI	0409NVNSIP	93.047	98,901
188	DHHS Caregiver	0309NVT6CG	93.052	21,493
212	Special Diabetes Program for I	5 HID 94 00252-04	93.237	268,908
172	Health/Administration	247-98-0026	93.441	\$ 1,147,327
174	Health/CHR	247-98-0026	93.441	62,595
175	Health/Trans.Sect 18/CHR	247-98-0026	93.441	7,235
176	Health/Substance Abuse	HHS1247200600022C	93.441	86,818
178	Health/Third Party	247-98-0026	93.441	388,933
	Total Indian Self-Determination			<u>\$ 1,692,908</u>
183	Child Care Dev Block Grant	G999002/G999006	93.575/93.596	164,333
<b>Indirect Funding through the State of Nevada</b>				
236	Amer. Shelter Ser.	FV-3145/22-SF707-09-025	93.671	14,966
	Total Department of Health and Human Services			<u>\$ 2,261,509</u>

See accompanying notes to Schedule of Expenditures of Federal and Non-Federal Awards.

**Pyramid Lake Paiute Tribe**  
**Schedule of Expenditures of Federal and Non-Federal Awards**  
**Year Ended December 31, 2008**

<u>Fund No.</u>	<u>Grant/Contract Name</u>	<u>Grant Identification Number</u>	<u>CFDA#</u>	<u>Expenditures</u>
<b>ENVIRONMENTAL PROTECTION AGENCY</b>				
367	CAA Special Purpose - Air Quality	XA-96969901-0	66.034	\$ 61,048
283A	CAA Special Purpose - Air Quality	XA-96928401-0	66.034	34
	Total Special Purpose Activities Relating to the Clean Air Act			<u>\$ 61,082</u>
200	Water Pollution Contract	BG-97917501	66.419	275,187
313	Tribal Drinking Water Conference	X6-96940501	66.424	(929)
311	CWA 319 East Truckee River	C9-96940601-0	66.460	\$ 469
200B	NonPoint Source Management	BG-97917501	66.460	20,143
	Total Nonpoint Source Implementation Grants			<u>\$ 20,612</u>
364	Wetland Protection Development	CD-96973101-0	66.641	15,551
222	GAP III Mining EPA	GA-97961301-0	66.926	\$ (39)
312	Financial/Administrative Work	GA-96954101-0	66.926	(136)
314	16th Annual Region 9 Tribe	GA-96931401-0	66.926	200,021
361	GAP IV - General	GA-96972501-2	66.926	127,925
363	GAP IV - Wellhead Protection	GA-96972501-0	66.926	(25)
368	SWDA Special Purpose Solid Waste	X1-00919501	66.926	18,731
378	GAP - RTOC	GA-99996301	66.926	102,105
	Total Indian Environmental General Assistance			<u>\$ 448,582</u>
	Total Environmental Protection Agency			<u><u>\$ 820,085</u></u>

**DEPARTMENT OF ENERGY**

374	Pyramid Lake Energy Project	DE-FG02-06ER64279	81.041	(9,749)
300	Renewable Energy Park	DE-FG36-04GO14060 M002	81.087	87,575
208	Tribal Emergency Response	DEFG0701D14025	81.502	869
	Total Department of Energy			<u><u>\$ 78,695</u></u>

**AGGREGATE NON-MAJOR FUNDS - FEDERAL**

**DEPARTMENT OF AGRICULTURE**

**Indirect Funding through the State of Nevada**

97	FSA Noninsured Crop Disaster		10.xxx	22
	Total Department of Agriculture			<u><u>\$ 22</u></u>

**DEPARTMENT OF EDUCATION**

334-8	PLHS - Title Funds 07-08	GTJ50T65117	84.010	\$ 186,642
334-9	PLHS - Title Funds 08-09	GTJ50T65119	84.010	47,465
	Total Title 1 Grants to Local Educational Agencies			<u>\$ 234,107</u>
335-8	PLHS - Special Education 07-08	GTJ05T65117	84.027	\$ 280,918
335-9	PLHS - Special Ed 08-09	GTJ50T65119	84.027	85,977
	Total Special Education Grants to States			<u>\$ 366,895</u>
422-8	Title VII - Native Studies	S906A070094	84.060A	\$ 11,728
422-9	VII Native Studies Program	S906A080094	84.060A	7,704
	Total Indian Education Grants to Local Educational Agencies			<u>\$ 19,432</u>
338-8	21st Century ASP 07-08	GTJ50T65118	84.xxx	54,969
	Total Department of Education			<u><u>\$ 675,403</u></u>

**DEPARTMENT OF JUSTICE**

249	Tribal Juvenile Account Discre	2005-JR-FX-K004	16.523	53,409
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See accompanying notes to Schedule of Expenditures of Federal and Non-Federal Awards.

**Pyramid Lake Paiute Tribe**  
**Schedule of Expenditures of Federal and Non-Federal Awards**  
**Year Ended December 31, 2008**

<u>Fund No.</u>	<u>Grant/Contract Name</u>	<u>Grant Identification Number</u>	<u>CFDA#</u>	<u>Expenditures</u>
265	Legal Assistance for Victims	2003-WL-BX-0031	16.524	\$ (63)
265A	Legal Assistance for Victims	2003-WL-BX-0031	16.524	99,582
	Total Legal Assistance for Victims			<u>\$ 99,519</u>
373	National Children's Alliance	NIXO-006-TD07	16.547	3,929
264A	Tribal Victim Assistance	2003-VR-GX-0009	16.575	75,371
315	Stop VAIW FY 2005	2005-WI-AX-0016	16.589	33,609
392	Grants to Encourage Arrest	2007-WE-AX-0043	16.590	74,614
354	Indian Alcohol Grant	2007-AC-BX-0015	16.616	103,406
251	Resources PLPD	199-HH-WX-0062	16.710	\$ 6,986
341	DOJ Tribal Resources - PLPD	2007-HEWX-0051	16.710	119,831
342	DOJ Tribal Resources - Rangers	2007-HE-WX-0062	16.710	82,226
372	Training/Equipment Grant	2006-HEWX-0057	16.710	34,987
	Total Public Safety Partnership and Community Policing Grants			<u>\$ 244,030</u>
285	FY 2004 Tribal Youth Program	2004-TY-FX-K003	16.731	328
369	PL Housing Assistant Program	2006-WX-AX-0007	16.736	116,973
253	Drug Elimination/Recreation	00DH1320148IT	16.xxx	1,819
<b>Indirect Funding through the State of Nevada</b>				
220	Victim Support Services	VOCA-VA-GV-0033	16.575	23,333
	Total Department of Justice			<u>\$ 830,340</u>
<b>INSTITUTE OF MUSEUM AND LIBRARY SERVICES</b>				
393	IMLS	MN030700907	45.308	24,507
194	Native American Basic Grant	LT-10032-01	45.311	4,242
	Total Institute of Museum and Library Services			<u>\$ 28,749</u>
<b>DEPARTMENT OF TRANSPORTATION</b>				
217	USDOT - Hazmat Emergency PP&T	HMEPL2095040	20.703	7,360
	Total Department of Transportation			<u>\$ 7,360</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>				<u>\$ 8,739,623</u>
<b>NON-FEDERAL</b>				
077B	Save the Children	7580-11	-	\$ 36,157
077C	Save the Children 2008-2009	7580-11	-	34,692
234	Regional Transportation Commission	PT 74-06	-	23,899
237	Division of Aging - State Transportation	1606-73-06	-	2,751
279	ODP/04-Law Enforcement	97004LL4	-	5,184
303	FFY05 Emergency Management Per	9704205	-	20,248
304	ODP/05-Law Enforcement	97074LL5	-	17,899
306	ODP/05-Homeland Security Program	97073HL5	-	13,769
379	FFY07 Volunteer Fire Assistance	USDA/VFA/07/13	-	7,201
	Total Non-Federal			<u>\$ 161,800</u>

See accompanying notes to Schedule of Expenditures of Federal and Non-Federal Awards.



**Pyramid Lake Paiute Tribe**  
**NOTES TO SCHEDULE OF EXPENDITURES OF**  
**FEDERAL AND NON-FEDERAL AWARDS**  
**December 31, 2008**

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**NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal and non-federal awards includes the contract and grants activity of the Pyramid Lake Paiute Tribe 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*.

**NOTE 2 – CFDA NUMBERS**

For programs in which the Catalog of Federal Domestic Assistance (CFDA) number is not known, or has not been provided by a funding agency, the CFDA number is shown with the funding agency's two digit prefix followed by "xxx," or by the grant number.

**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***

To the Tribal Council  
Pyramid Lake Paiute Tribe

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Pyramid Lake Paiute Tribe, as of and for the year ended December 31, 2008, which collectively comprise the Pyramid Lake Paiute Tribe's basic financial statements and have issued our report thereon dated October 27, 2009. Our report was modified because the Tribes enterprise funds were not included in the Tribe's fund financial statements or in the business-type activities. We did not audit the financial statements of Pyramid Lake Housing Authority and Pyramid Lake Fisheries. Those financial statements were audited by other auditors whose reports have been furnished to us, and in our opinion, insofar as it relates to the amounts included for the discretely presented component units, are based solely on the report of the other auditors. 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 Pyramid Lake Paiute Tribe'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 the Pyramid Lake Paiute Tribe's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Pyramid Lake Paiute Tribe'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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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

misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Pyramid Lake Paiute Tribe's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Pyramid Lake Paiute Tribe's financial statements that is more than inconsequential will not be prevented or detected by the Pyramid Lake Paiute Tribe's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting: Findings 2008-1, 2008-2 and 2008-3.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Pyramid Lake Paiute Tribe's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. Of the significant deficiencies described above, we consider Findings 2008-2 and 2008-3 to be material weaknesses.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Pyramid Lake Paiute Tribe'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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Findings 2008-5 and 2008-6.

Pyramid Lake Paiute Tribe's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Pyramid Lake Paiute Tribe's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, Tribe Council, others within the entity, and 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.

*The CFO Group Inc.*

Reno, Nevada

October 27, 2009

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

To the Tribal Council

Pyramid Lake Paiute Tribe

**Compliance**

We have audited the compliance of the Pyramid Lake Paiute Tribe 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 December 31, 2008. The Pyramid Lake Paiute Tribe's major federal programs are identified in the summary of auditor's 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 Pyramid Lake Paiute Tribe's management. Our responsibility is to express an opinion on the Pyramid Lake Paiute Tribe's compliance based on our audit.

The Pyramid Lake Paiute Tribe's basic financial statements include the operations of the Pyramid Lake Housing Authority and the Pyramid Lake Fisheries, which are the discretely presented component units of the Pyramid Lake Paiute Tribe. Our audit, described below, did not include the operation of Pyramid Lake Housing Authority and Pyramid Lake Fisheries, discretely presented component units.

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 require 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 Pyramid Lake Paiute Tribe's compliance with those requirements and performing such other procedures as we considered necessary under the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Pyramid Lake Paiute Tribe's compliance with those requirements.

In our opinion, the Pyramid Lake Paiute Tribe 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 December 31, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as Findings 2008-5 and 2008-6.

## Internal Control over Compliance

The management of the Pyramid Lake Paiute Tribe 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 Pyramid Lake Paiute Tribe's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 Pyramid Lake Paiute Tribe's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses. A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2008-4, 2008-5 and 2008-6 to be a significant deficiency.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider the items 2008-5 and 2008-6 to be material weaknesses.

The Pyramid Lake Paiute Tribe's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Pyramid Lake Paiute Tribe's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Tribal Council, others within the entity, and 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.

*The CFO Group Inc.*

Reno, Nevada

October 27, 2009

**Pyramid Lake Paiute Tribe**  
**Schedule of Findings and Questioned Costs**  
**December 31, 2008**

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**SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

Type of auditors' report issued:

Governmental Activities, Business-Type Activities, Discretely Presented Component Units, Major Enterprise Funds, and Aggregate Remaining Fund Information-Adverse  
Major Governmental Funds-Qualified

Internal control over financial reporting:

- Material weaknesses identified? Yes
- Significant deficiencies identified that are not considered to be material weaknesses? Yes
- Non-Compliance material to financial statements notes? Yes

**Federal Awards**

Internal control over major programs:

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

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

**Identification of Major Programs**

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CFDA Numbers	Name of Federal Program or Cluster
15.030	U.S. Department of Interior, Bureau of Indian Affairs, Law Enforcement
15.042	U.S. Department of Interior, Bureau of Indian Affairs, Indian School Equalization Program
15.047	U.S. Department of Interior, Bureau of Indian Affairs, Indian Education Facilities, Operation and Maintenance
15.141	U.S. Department of Interior, Bureau of Indian Affairs, Housing Improvement Program
15.508	U.S. Department of Interior, Bureau of Reclamation, Providing Water to At- Risk Natural Desert Terminal Lakes
66.926	U.S. Department of Environmental Protection Agency, Indian Environmental General Assistance
84.027	U.S. Department of Education, Special Education
93.441	U.S. Department of Health and Human Services, Indian Self-Determination

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Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? No

**Pyramid Lake Paiute Tribe**  
**Schedule of Findings and Questioned Costs**  
**December 31, 2008**

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**I. FINDINGS RELATED TO FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH *GOVERNMENTAL AUDITING STANDARDS***

**SIGNIFICANT DEFICIENCIES**

**Finding 2008-1- Cash Disbursements: Control over Outstanding Checks**

Criteria:

Outstanding checks that are more than six months old should be canceled as a part of internal control over cash disbursements.

Condition:

Audit procedures in the cash area disclosed that there were old outstanding checks on the bank reconciliation that went unnoticed for over one year.

Effect:

Tracking outstanding checks is an important control procedure that ensures that all outgoing checks are accounted for.

Cause:

Inadequate staffing, insufficient training, or inadequate record keeping may have contributed to this finding.

Recommendation:

We recommend that an accurate outstanding checks list be kept for each bank account and a periodic review of the list(s) be performed on a timely basis. These outstanding checks should be investigated, adjusted for separately, and payments stopped at the bank, as necessary.

**MATERIAL WEAKNESSES**

**Finding 2008-2- Grant Reimbursements Not Timely**

Criteria:

Proper accounting controls require that reimbursement requests for cost reimbursement grants and contracts be submitted as soon as they are available, normally monthly.

Condition:

We found that the Tribe did not have controls in place to ensure that grant and contract reimbursements were obtained in a timely manner.

Effect:

When grant funds are not drawn down properly, the Tribe must finance its programs using other funds, and the possibility increases that contracts may be closed out, in which case the Tribe would lose the opportunity for reimbursement.

**Pyramid Lake Paiute Tribe  
Schedule of Findings and Questioned Costs  
December 31, 2008**

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**Finding 2008-2- Grant Reimbursements Not Timely- continued**

Cause:

This condition may have been caused by employee turnover, insufficient staffing, lack of employee training, or inattention to established procedures.

Recommendation:

We recommend that procedures and controls be implemented to ensure that all available grant funding is obtained on a monthly basis.

**Finding 2008-3- Reconciliation of General Ledger Accounts**

Criteria:

Proper accounting controls require that the general ledger be reviewed and reconciled to supporting data at least monthly.

Condition:

We found the Tribe reviews and reconciles a number accounts such as cash, grants receivables and accounts payable monthly and other key general ledger accounts such as inter-fund amounts, indirect cost revenues and transfers quarterly.

Effect:

Failure to accurately reconcile general ledger accounts monthly, can result in material misstatements of the Tribe's financial reports, and increase the Tribe's risk of fraud.

Cause:

This condition may have been caused by employee turnover, insufficient staffing, lack of employee training, or inattention to established procedures.

Recommendation:

The Tribe should ensure that sufficient qualified staff is hired and that they review and reconcile key general ledger balances to supporting journals and other documentation each month.

**II. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**SIGNIFICANT DEFICIENCIES**

**Finding 2008-4- Reconciliation of General Ledger Accounts**

Federal Programs Affected: All federal awards

Criteria:

The Office of Management and Budget's *Common Rule* requires that federal grantees maintain accounting records which accurately identify the sources and uses of funds, that effective control and accountability be maintained over grant cash, and that accounting records be supported by source documents.



**Pyramid Lake Paiute Tribe**  
**Schedule of Findings and Questioned Costs**  
**December 31, 2008**

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**Finding 2008-4- Reconciliation of General Ledger Accounts-continued**

Condition:

As discussed in Finding 2008-4, the Tribe's accounting records did not meet the *Common Rule* requirements in 2008.

**MATERIAL WEAKNESSES**

**Finding 2008-5- Reporting**

Federal Programs Affected: CFDA No. 15.030 Bureau of Indian Affairs, Law Enforcement Program CFDA No. 15.042, Bureau of Indian Affairs, Indian School Equalization Program; CFDA 15.141, Bureau of Indian Affairs, Housing Improvement Program; CFDA No. 15.508 Bureau of Reclamation, Providing water to At-Risk Natural Desert Terminal Lakes; CFDA No. 66.926, Department of Environmental Protection Agency, Indian Environmental General Assistance; CFDA No. 93.441, Department for Health and Human Services, Indian Self-Determination.

Criteria:

Each of the Tribe's major programs requires that the Tribe submit accurate and complete financial status reports.

Condition:

During our testing over all major programs it was noted that as of the audit report date the Tribe has not yet filed various 2008 financial status reports for the following federal programs; CFDA No. 15.030 Bureau of Indian Affairs, Law Enforcement Program CFDA No. 15.042, Bureau of Indian Affairs, Indian School Equalization Program; CFDA 15.141, Bureau of Indian Affairs, Housing Improvement Program; CFDA No. 15.508 Bureau of Reclamation, Providing water to At-Risk Natural Desert Terminal Lakes; CFDA No. 66.926, Department of Environmental Protection Agency, Indian Environmental General Assistance; CFDA No. 93.441, Department for Health and Human Services, Indian Self-Determination.

Effect:

The Tribe did not comply with various reporting deadlines for the contracts listed above.

Cause:

It appears the Tribe did not have sufficient staff to prepare the financial statement reports on a timely basis.

Recommendation:

We recommend that the Tribe complete all financial reports for each program by the required due dates. It is further recommended that the Tribe adequately monitor expenditures for each program and revise such financial reports if necessary due to journal entries and other changes in the accounting records.

**Pyramid Lake Paiute Tribe  
Schedule of Findings and Questioned Costs  
December 31, 2008**

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**Finding 2008-6- Submission of Indirect Cost Proposal**

Federal Programs Affected: All federal programs

Criteria:

The Office of Management and Budget's Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments* mandates that grantees must submit an Indirect Cost Proposal six months prior to the start of the unit's fiscal year.

Condition:

As of the report date, the Tribe does not have an approved Indirect Cost rate for 2008.

Effect:

Late filing of an Indirect Cost Proposal subjects the Tribe to the risk that the rate will be awarded at a rate different than the rate actually funded during the year, resulting in a shortfall and a General Fund deficit for indirect costs, or potentially questioned costs for overcharges of Indirect costs to federal funds.

Cause:

It appears the Tribe did not have sufficient staff to prepare the indirect cost proposal on a timely basis.

Recommendation:

We recommend that all Indirect Costs Proposals be submitted by the applicable due dates.

**Pyramid Lake Paiute Tribe  
Corrective Action Plan  
December 31, 2008**

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**Finding 2008-1- Cash Disbursements: Control over Outstanding Checks**

Management Response:

At the end of 2008 a process was put into place regarding outstanding accounts payable checks. The same system was put into place regarding payroll checks in the beginning of 2009. When the Comptroller reviews the monthly bank reconciliations a meeting takes place with the accounts payable and the payroll clerk to discuss any checks over 90 days old. Research is performed and a week later another meeting takes place between the Comptroller and the clerks to discuss strategy for voiding, reissuing or canceling checks.

**Finding 2008-2- Grant Reimbursements Not Timely**

Management Response:

A new Contracts and Grants Specialist was hired in May of 2008. There was a large back log of grant funds that had not been drawn down. Most agencies now have a website that require a log in and password. All of these websites needed to be set up again and the process of completing grant reimbursements was able to begin. It was discovered that there were different types of reporting requirements missing before grant reimbursements could be completed. Some of the reporting requirements were not through the Finance Department but were needed from a Director level process. The Contracts and Grants Specialist set up all of the new website requirements and worked with the Directors to get the agencies the reporting needed to be able to draw down the funds. By the second quarter of 2009 all of the reporting requirements are caught up and a month end process is now taking place.

**Finding 2008-3- Reconciliation of General Ledger Accounts  
(Federal Award Finding 2008-4)**

Management Response:

In 2008 the Tribal Council decided to restructure the Finance Department with personnel that had a stronger accounting background. Due to this shift it was discovered that the General Ledger accounts had not been reconciled on a monthly basis. All personnel are being set up with training on the process of reconciling general ledger accounts monthly. A new Accounting Procedures manual with these changes will be completed by December 31, 2009.

**Finding 2008-5- Reporting**

Management Response:

In working to complete all past due reporting a meeting took place with the BIA in May of 2009. Working with BIA it was decided to reconcile all BIA accounts from 1999-2008. The reason for this reconciliation was to improve and correct past reporting. The reconciliation was completed in July and all revised reports were sent to the BIA. This included the 4<sup>th</sup> quarter of the Social Services Program, Law Enforcement Program, Housing Improvement Program and Health Administration.

**Pyramid Lake Paiute Tribe  
Corrective Action Plan  
December 31, 2008**

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**Finding 2008-5- Reporting- continued**

The Pyramid Lake High School had been reporting the quarterly reports because of having a person on site from the Finance department until early 2008. The Finance Department that was housed at the governmental offices did not have the contract files for the Pyramid Lake High School programs. The files are now housed in the Finance Department and we are now preparing the quarterly reports. The Pyramid Lake High School now has another on-site Finance person that was hired at the end of 2008. This change should enable reporting to be timely.

**Finding 2008-6- Submission of Indirect Cost Proposal**

Management Response

Due to incomplete audits and high turnover in the finance department, indirect cost proposals were filed late. This has since been corrected and indirect cost proposals are now completed on time.

**Pyramid Lake Paiute Tribe**  
**Status of Prior Audit Findings**  
**December 31, 2008**

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The following Findings were reported in the Tribe's audit for the year ended December 31, 2007:

**Finding 2007-1- Segregating Duties: Cash Receipts**

Criteria:

Proper internal control design requires that there be a segregation of duties between those responsible for custody, authorization, recording, and reconciling.

Condition:

We noted that duties involving cash receipts were combined during the year, whereby two employees are responsible for the entire cash receipt process.

Effect:

Without proper segregation of duties for these closely related cash receipts functions, the risk that receipts could be misappropriated increases.

Cause:

Inadequate staffing or insufficient training may have contributed to this finding.

Recommendation:

We recommend that one employee, independent of the accounting department, such as the receptionist or office manager, open the mail and restrictively endorse all incoming checks. This person should keep a daily log of all incoming checks. Copies of the checks should be forwarded to the appropriate departments for processing and the checks should be forwarded to the accounting department for recording in the accounting system and timely deposit. A third person should periodically compare and deposit slips to the daily log of incoming checks to ensure that all the receipts were deposited.

Status at December 31, 2008- This finding was not repeated in the current year.

**Finding 2007-2- Compensated Absences**

Criteria:

FASB 43 requires an employer to accrue a liability for employees' right to receive compensation for future absences as the obligation relates to rights that vest and accumulate.

Condition:

During the course of our audit of the year-end compensated absence accrual, it came to our attention that there is an inconsistency between the vacation accrual policy practice by the finance department and the employee manual. We recommend that upper management resolve this inconsistency so that the compensated absence accrual is properly recorded per the employee manual.

Effect:

The lack of a fully implemented vacation policy will potentially allow for an employee to erroneously accumulate very large amounts of vacation time that is recorded as a liability.

Cause:

Inadequate staffing, insufficient training, or inadequate record keeping may have contributed to this finding.

**Pyramid Lake Paiute Tribe  
Status of Prior Audit Findings  
December 31, 2008**

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**Finding 2007-2- Compensated Absences- continued**

Recommendation:

We recommend that the Tribe adequately document all vacation accrual calculations as defined by the Tribe's approved employee manual. This documentation should also be retained subsequent to year end.

Status at December 31, 2008- This finding was not repeated in the current year.

**Finding 2007-3- Cash Disbursements: Control over Outstanding Checks**

Criteria:

Outstanding checks that are more than six months old should be canceled as a part of internal control over cash disbursements.

Condition:

Audit procedures in the cash area disclosed that there were old outstanding checks on the bank reconciliation that went unnoticed for over one year.

Effect:

Tracking outstanding checks is an important control procedure that ensures that all outgoing checks are accounted for.

Cause:

Inadequate staffing, insufficient training, or inadequate record keeping may have contributed to this finding.

Recommendation:

We recommend that an accurate outstanding checks list be kept for each bank account and a periodic review of the list(s) be performed on a timely basis. These outstanding checks should be investigated, adjusted for separately, and payments stopped at the bank, as necessary.

Status at December 31, 2008- This finding was repeated as Finding 2008-1

**Finding 2007-4- Record Storage and Retrieval**

Criteria:

Documents supporting every disbursement should be easily accessible.

Condition:

During our audit we noticed that accounting records frequently could not be located when needed.

Effect:

The result is that employees spend nonproductive time searching for needed documents. This condition could also present problems when auditors or governmental agencies need documents in support of payroll tax returns and other reports subject to audit.

Cause:

Inadequate staffing, insufficient training, or inadequate record keeping may have contributed to this finding.

**Pyramid Lake Paiute Tribe  
Status of Prior Audit Findings  
December 31, 2008**

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**Finding 2007-4- Record Storage and Retrieval- continued**

Recommendation:

We recommend that the following steps be taken: decide on a systematic manner of filing documents, (e.g. vendor bills filed alphabetically by vendor name, etc.) Describe the system in the accounting manual or post a description on the filing cabinets or storage room so employees will know how to find and re-file documents. Institute the use of sign-out cards to be filled out when a document is removed from a file, showing who took the record. Establish a policy specifying which records should be retained permanently, which records should be kept only for a given period before being destroyed, and what the period of time should be for the various documents' termination. Lastly, assign personnel the responsibility of periodically cleaning out the files in accordance with the established policy.

Status at December 31, 2008- This finding was not repeated in the current year.

**Finding 2007-5- Grant Reimbursements Not Timely**

Criteria:

Proper accounting controls require that reimbursement requests for cost reimbursement grants and contracts be submitted as soon as they are available, normally monthly.

Condition:

We found that the Tribe did not have controls in place to ensure that grant and contact reimbursements were obtained in a timely manner.

Effect:

When grant funds are not drawn down properly, the Tribe must finance its programs using other funds, and the possibility increases that contracts may be closed out, in which case the Tribe would lose the opportunity for reimbursement.

Cause:

This condition may have been caused by employee turnover, insufficient staffing, lack of employee training, or inattention to established procedures.

Recommendation:

We recommend that procedures and controls be implemented to ensure that all available grant funding is obtained on a monthly basis.

Status at December 31, 2008- This finding was repeated as Finding 2008-2.

**Finding 2007-6 and Finding 2007-8- Bank Reconciliations**

Criteria:

Proper accounting controls require that bank reconciliations be completed immediately upon receipt of bank statements by a position independent of the cash disbursement function.

Condition:

We found that bank reconciliations were prepared a month or longer after the bank statement was received.

**Pyramid Lake Paiute Tribe  
Status of Prior Audit Findings  
December 31, 2008**

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**Finding 2007-6 and Finding 2007-8- Bank Reconciliations- Continued**

Effect:

Without accurate and timely bank reconciliations, the Tribe's correct cash balance cannot be determined. Failure to perform bank reconciliations also increases the Tribe's exposure to fraud from misappropriation of cash.

Cause:

These conditions may have been caused by insufficient staffing, insufficient employee training, or inattention to established procedures.

Recommendation:

Bank reconciliations should be completed upon receipt of the monthly bank statement for all Tribal cash accounts, by a position independent of the cash disbursement function.

Status at December 31, 2008- This finding was not repeated in the current year.

**Finding 2007-7 and 2007-9- Reconciliation of General Ledger Accounts**

Criteria:

Proper accounting controls require that the general ledger be reviewed and reconciled to supporting data at least monthly.

Condition:

We found the Tribe did not review and reconcile many key general ledger accounts during the year, causing many accounts to be materially misstated, such as cash, receivables, payables, interfund amounts, indirect cost revenues, transfers, and other accounts.

Effect:

Failure to accurately reconcile general ledger accounts on a regular basis, can result in material misstatements of the Tribe's financial reports, and increase the Tribe's risk of fraud.

Cause:

This condition may have been caused by employee turnover, insufficient staffing, lack of employee training, or inattention to established procedures.

Recommendation:

The Tribe should ensure that sufficient qualified staff are hired and that they review and reconcile key general ledger balances to supporting journals and other documentation each month.

Status at December 31, 2008- This finding was repeated as Finding 2008-3 and 2008-4

**Finding 2007-10- Reporting (Material Weakness)**

Federal Programs Affected: CFDA No. 15.046, Bureau of Indian Affairs, Administrative Costs Grants for Indian Schools; CFDA No. 66.419, Environmental Protection Agency, Water Pollution Control State, Interstate, and Tribal Program Support; CFDA No. 93.441, Department for Health and Human Services, Indian Health Services Program.



**Pyramid Lake Paiute Tribe  
Status of Prior Audit Findings  
December 31, 2008**

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**Finding 2007-10- Reporting (Material Weakness) - Continued**

Criteria:

Each of the Tribe's major programs requires that the Tribe submit accurate and complete financial status reports. Also, OMB Circular A-133 requires the Tribe to submit its annual audit to the Federal Single Audit Clearinghouse no later than nine months after the close of each fiscal year.

Condition:

During our testing over the Water Pollution Control State, Interstate, and Tribal Program Support (CFDA # 66.419), agreement #BG97917501 and Administrative Costs Grants for Indian Schools (CFDA # 15.046), agreement #GTJ50T65117, it was noted that as of the audit report date, the Tribe has not yet filed the financial status reports for the quarters ended March 31, 2007, June 30, 2007, September 30, 2007 and December 31, 2007.

During our test over Indian Health Services Program (CFDA # 93.441), agreement #247980026, Tribal Program Support (CFDA # 66.419), agreement #BG97917501, and I Administrative Costs Grants for Indian Schools (CFDA # 15.046), agreement #GTJ50T65117, it was noted that the Tribe was unable to locate evidence that the annual financial report was filed.

In addition, the Tribe was unable to complete and submit its 2007 annual audit to the Federal Clearinghouse by the required date.

Effect:

The Tribe did not comply with reporting deadlines for the contracts listed above, and for submission of the annual audit to the Single Audit Clearinghouse.

Cause:

It appears the Tribe did not have sufficient staff to prepare the financial statement reports on a timely basis.

Recommendation:

We recommend that the Tribe complete all financial reports for each program by the required due dates. It is further recommended that the Tribe adequately monitor expenditures for each program and revise such financial reports if necessary due to journal entries and other changes in the accounting records. We also recommend that the Tribe maintain sufficient professional accounting staff to ensure that the accounting records are ready for audit shortly after year end, so the Single Audit reporting date can be met.

Status at December 31, 2008- This finding was repeated as Finding 2008-5.

**Pyramid Lake Paiute Tribe  
Status of Prior Audit Findings  
December 31, 2008**

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**Finding 2007-11- Submission of Indirect Cost Proposal**

Federal Programs Affected: All federal programs

Criteria:

The Office of Management and Budget's Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments* mandates that grantees must submit an Indirect Cost Proposal six months prior to the start of the unit's fiscal year.

Condition:

As of the report date, the Tribe does not have an approved Indirect Cost rate for 2007.

Effect:

Late filing of an Indirect Cost Proposal subjects the Tribe to the risk that the rate will be awarded at a rate different than the rate actually funded during the year, resulting in a shortfall and a General Fund deficit for indirect costs, or potentially questioned costs for overcharges of Indirect costs to federal funds.

Cause:

It appears the Tribe did not have sufficient staff to prepare the indirect cost proposal on a timely basis.

Recommendation:

We recommend that all Indirect Costs Proposals be submitted by the applicable due dates.

Status at December 31, 2008- This finding was repeated as Finding 2008-6.