

RESOLUTION OF THE
NAVAJO NATION COUNCIL
24th NAVAJO NATION COUNCIL - THIRD YEAR, 2021

AN ACTION
RELATING TO BUDGET AND FINANCE AND NAABIK'ÍYÁTI' COMMITTEES AND
NAVAJO NATION COUNCIL; ACCEPTING THE AUDIT REPORT OF MOSS ADAMS ON
THE BASIC FINANCIAL STATEMENTS OF THE NAVAJO NATION FOR FISCAL
YEAR 2020

SECTION ONE. AUTHORITY

- A. Prior to Navajo Nation Council deliberation of the proposed comprehensive budget, the latest external audit of the combined financial statements of the Navajo Nation will be presented to the Navajo Nation Council by external auditors. 12 N.N.C. § 840(B).
- B. A proposed resolution that requires final action by the Navajo Nation Council shall be assigned to the Naabik'íyáti' Committee before it is heard by the Navajo Nation Council. 2 N.N.C. § 164(A)(9).
- C. The Budget and Finance Committee is a standing committee of the Navajo Nation Council with the enumerated power to receive an annual audit of the accounts of the Navajo Nation by certified public accountants and to present such audit to the Navajo Nation Council. 2 N.N.C. § 301(B)(10).

SECTION TWO. FINDINGS

- A. Moss Adams, LLP, an independent auditor has prepared the 2020 Independent Auditor's Report for the Navajo Nation. The 2020 Financial Statements are attached as **Exhibit A**.
- B. The Navajo Nation Council finds it in the best interest of the Navajo Nation to accept the 2020 Independent Auditor's Report.

SECTION THREE. APPROVAL

The Navajo Nation hereby accepts the 2020 Independent Auditor's Report of Moss Adams LLP, on the Basic Financial Statement of the Navajo Nation for Fiscal Year 2020, attached as **Exhibit A**.

CERTIFICATION

I hereby certify that the foregoing resolution was duly considered by the 24th Navajo Nation Council at a duly called meeting in Window Rock, Navajo Nation (Arizona), at which a quorum was present and that the same was passed by a vote of 17 in Favor, and 00 Opposed, on this 26th day of August 2021.


Honorable Seth Damon, Speaker
24th Navajo Nation Council

Aug 31, 2021
DATE

Motion: Honorable Rickie Nez
Second: Honorable Pernell Halona

Speaker Seth Damon not voting

THE NAVAJO NATION
Basic Financial Statements
September 30, 2020
(With Independent Auditors' Report Thereon)

THE NAVAJO NATION

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Report of Independent Auditors

The Navajo Nation Council
The Navajo Nation

Report on the Financial Statements

We have audited the accompanying modified accrual budget basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Navajo Nation (the "Nation") as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Nation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified accrual budget basis of accounting described in Note 1. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified and adverse audit opinions.

Summary of Opinions

Opinion Unit	Type of Opinion
Governmental activities	Unmodified
Business-type activities	Unmodified
Aggregate discretely presented component units	Adverse
General fund	Unmodified
Grant fund	Unmodified
Permanent fund	Unmodified
Aggregate remaining fund information	Unmodified

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units

The financial statements do not include financial data for the Nation's legally separate component units. The modified accrual budget basis of accounting requires the financial data for those component units to be reported with the financial data of the Nation's primary government unless the Nation also issues financial statements for the financial reporting entity that include the financial data for its component units. The Nation has not issued such reporting entity financial statements. The amount by which this departure would affect the assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses of the financial statements has not been determined.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component units of the Nation as of September 30, 2020, or the changes in financial position thereof for the year then ended, in accordance with the modified accrual budget basis of accounting described in Note 1.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified accrual budget basis of accounting of the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Nation, as of September 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with the modified accrual budget basis of accounting described in Note 1.

Emphasis of Matter

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified accrual budget basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (U.S. GAAP). Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. GAAP requires that the schedule of changes in the net pension liability and related ratios (Schedule 2), the schedule of the Nation's contributions (Schedule 3), and the schedule of investment returns (Schedule 4), as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the Nation's basic financial statements is not affected by this missing information.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise the basic financial statements. The schedule of revenues, expenditures, and changes in fund balance – budget to actual – general fund (Schedule 1) and the combining fund financial statements (Schedules 5 to 16) 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 listed in the table of contents, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is also not a required part of the basic financial statements.

The schedule of revenues, expenditures, and changes in fund balance – budget to actual – general fund (Schedule 1), the combining financial statements (Schedules 5 to 16), and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the Nation's financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of revenues, expenditures, and changes in fund balance – budget to actual – general fund (Schedule 1), the combining financial statements (Schedules 5 to 16), and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the financial statements as a whole on the basis of accounting described in Note 1.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2021, on our consideration of the Nation'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 solely 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 effectiveness of the Nation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Nation's internal control over financial reporting and compliance.

Moss Adams LLP

Phoenix, Arizona
August 24, 2021

THE NAVAJO NATION
Basic Financial Statements
Government-Wide Financial Statements – Statement of Net Position – Exhibit A
September 30, 2020

Assets and Deferred Outflows Assets	Primary government		
	Governmental activities	Business-type activities	Total
Pooled cash and investments (note 2)	\$ 1,184,875,508	—	1,184,875,508
Cash and cash equivalents (note 2)	37,237,505	107,311,196	144,548,701
Investments (note 2)	—	11,733,274	11,733,274
Accounts and notes receivable, net (note 3)	105,078,868	4,427,483	109,506,351
Accrued interest receivable	3,422,748	3,640	3,426,388
Other assets	786,605	—	786,605
Restricted assets:			
Pooled cash and investments (note 2)	4,187,473,901	—	4,187,473,901
Cash and cash equivalents (note 2)	31,337,036	—	31,337,036
Investments (note 2)	60,015,024	—	60,015,024
Accounts and notes receivable, net (note 3)	187,536,353	—	187,536,353
Accrued interest receivable	5,477,209	—	5,477,209
Other assets	1,187,260	—	1,187,260
Capital assets (note 4):			
Land and construction in progress	183,414,960	1,074,633	184,489,593
Buildings and equipment, net of accumulated depreciation	470,353,684	23,511,406	493,865,090
Total capital assets	653,768,644	24,586,039	678,354,683
Total assets	1,985,169,878	148,061,632	2,133,231,510
Deferred Outflows			
Pension-related outflows	3,040,500	35,663	3,076,163
Total deferred outflows of resources	3,040,500	35,663	3,076,163
Total assets and deferred outflows	6,461,237,161	148,097,295	6,609,334,456
Liabilities and Deferred Inflows of Resources			
Liabilities			
Accounts payable and accrued liabilities (note 6)	\$ 77,929,687	1,561,590	79,491,277
Unearned revenue (note 7)	1,193,464,587	—	1,193,464,587
Long-term liabilities (note 8):			
Due within one year	23,052,227	332,512	23,384,739
Due in more than one year	52,254,977	—	52,254,977
Net pension liability	89,071,590	1,044,712	90,116,302
Total long-term liabilities	164,378,794	1,377,224	165,756,018
Total liabilities	1,435,773,068	2,938,814	1,438,711,882
Deferred Inflows of Resources			
Pension-related inflows (note 9)	31,720,753	372,051	32,092,804
Total deferred inflows of resources	31,720,753	372,051	32,092,804
Net Position			
Net investment in capital assets	610,769,159	24,586,039	635,355,198
Expendable restricted assets:			
Restricted for community and rural development	181,868,948	—	181,868,948
Restricted for economic development and loans	8,927,387	—	8,927,387
Restricted for education	82,348,599	—	82,348,599
Restricted for claims and refunds	75,729,406	—	75,729,406
Nonexpendable restricted assets:			
Restricted for future government operations	2,736,569,214	—	2,736,569,214
Restricted for chapter activities	58,597,111	—	58,597,111
Unrestricted	1,238,933,516	120,200,391	1,359,133,907
Total net position	4,993,743,340	144,786,430	5,138,529,770
Total liabilities, deferred inflows, and net position	\$ 6,461,237,161	148,097,295	6,609,334,456

See accompanying notes to basic financial statements.

THE NAVAJO NATION
Basic Financial Statements
Government-Wide Financial Statements – Statement of Activities – Exhibit B
Year ended September 30, 2020

Functions/programs	Expenses	Program revenues			Net (expense) revenue and changes in net position		
		Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Total
Governmental activities:							
General government	\$ 125,044,861	34,440,621	91,290,429	—	686,189	—	686,189
Economic development and planning	3,991,665	876,080	402,665	7,490	(2,705,430)	—	(2,705,430)
Community and rural development	72,863,618	57,344,497	15,686,606	4,484,312	4,651,797	—	4,651,797
Education and training	72,515,752	9,714,959	51,922,987	3,022,882	(7,854,924)	—	(7,854,924)
Natural resources	58,551,394	63,801,890	22,429,132	7,119,745	34,799,373	—	34,799,373
Public safety	66,315,093	1,250,381	49,773,318	1,746,620	(13,544,774)	—	(13,544,774)
Health and welfare	162,357,068	151,009	148,279,553	1,067,016	(12,859,490)	—	(12,859,490)
Culture and recreation	1,275,562	150,600	589	—	(1,124,373)	—	(1,124,373)
Transportation	15,786,892	462,391	9,290,685	32,116,643	26,082,827	—	26,082,827
Interest on long-term debt	1,954,981	—	—	—	(1,954,981)	—	(1,954,981)
Total governmental activities	580,656,886	168,192,428	389,075,964	49,564,708	26,176,214	—	26,176,214
Business-type activities:							
Business Industrial Development Fund	1,791,123	1,725,675	—	—	—	(65,448)	(65,448)
Loan Fund	357,882	502,226	—	—	—	144,344	144,344
Employee Housing	452,852	968,890	—	—	—	516,038	516,038
Parks and Recreation	2,694,208	6,605,264	—	—	—	3,911,056	3,911,056
Fish and Wildlife	769,292	703,594	—	—	—	(65,698)	(65,698)
Navajo Nation Code	337	2,965	—	—	—	2,628	2,628
Navajo Transit Fund	23,233	14,509	—	—	—	(8,724)	(8,724)
Livestock Custody	130,235	83,400	—	—	—	(46,835)	(46,835)
Fourth of July Celebration Fund	7,075	—	—	—	—	(7,075)	(7,075)
Annual Navajo Nation Fair	79,406	413,614	—	—	—	334,208	334,208
Tribal Ranch	295,295	766,284	—	—	—	470,989	470,989
Veterinary Medical Sales Fund	133,575	210,209	—	—	—	76,634	76,634
Colorado Ranch	671,377	753,781	—	—	—	82,404	82,404
Total business-type activities	7,405,890	12,750,411	—	—	—	5,344,521	5,344,521
	\$ 588,062,776	180,942,839	389,075,964	49,564,708	26,176,214	5,344,521	31,520,735
General Revenue and Transfers							
Taxes (note 10):							
Business activity					7,235,961	—	7,235,961
Possessory interest					25,083,635	—	25,083,635
Fuel excise					9,732,787	—	9,732,787
Oil and gas severance					3,610,523	—	3,610,523
Sales					51,413,587	—	51,413,587
Tobacco products					277,775	—	277,775
Hotel occupancy					914,218	—	914,218
Junk food tax					1,472,740	—	1,472,740
Alcohol tax					70,317	—	70,317
Unrestricted investment income					326,874,720	152,306	327,027,026
Statutory allocation					—	4,246,451	4,246,451
Land, buildings, business site, and right-of-way lease					72,290,548	—	72,290,548
Transfers					(649,074)	649,074	—
Special item - Navajo Nation Water Resources Development Trust Fund					50,000,000	—	50,000,000
Special item - claim settlements					6,500,000	—	6,500,000
Total general revenues and transfers					554,827,737	5,047,831	559,875,568
Change in net position					581,003,951	10,392,352	591,396,303
Net position, beginning of year					4,412,739,389	134,394,078	4,547,133,467
Net position, end of year					\$ 4,993,743,340	144,786,430	5,138,529,770

See accompanying notes to basic financial statements.

THE NAVAJO NATION

Basic Financial Statements

Fund Financial Statements – Balance Sheet – Governmental Funds – Exhibit C

September 30, 2020

Assets	General fund (Schedule 5)	Grant fund	Permanent fund	Other governmental funds	Total governmental funds
Pooled cash and investments (including \$5,520,935 of pledged securities) (note 2)	\$ 1,006,524,873	1,191,719,185	2,660,757,763	513,347,588	5,372,349,409
Accounts receivable, net	14,960,210	129,977	—	7,790	15,097,977
Accrued interest receivable	2,805,344	31,918	4,871,406	1,071,832	8,780,500
Note receivable (note 3)	55,895,972	—	136,480,582	49,393,018	241,769,572
Receivable from grantors	—	35,550,068	—	—	35,550,068
Other assets	503,276	1,187,260	—	—	1,690,536
Total assets	\$ 1,080,689,675	1,228,618,408	2,802,109,751	563,820,228	5,675,238,062
Liabilities and Fund Balances					
Liabilities:					
Accounts payable (note 6)	\$ 12,404,062	31,517,917	1,541,100	2,615,208	48,078,287
Accrued liabilities (note 6)	14,945,493	12,742,406	112,457	—	27,800,356
Unearned revenue (note 7)	3,580,690	1,184,358,085	58,293	—	1,187,997,068
Total liabilities	30,930,245	1,228,618,408	1,711,850	2,615,208	1,263,875,711
Fund balances:					
Nonspendable:					
Permanent fund principal	—	—	2,600,088,632	58,597,111	2,658,685,743
Long-term receivable	55,895,972	—	136,480,582	49,393,018	241,769,572
Spendable:					
Restricted for:					
Economic development loans	8,927,387	—	—	—	8,927,387
Education	—	—	—	77,642,223	77,642,223
Special projects	—	—	—	46,775,589	46,775,589
Other capital projects	103,682,321	—	—	20,891,377	124,573,698
Committed for:					
Other capital projects	622,191,707	—	63,828,687	203,785,249	889,805,643
Covid-19 donations	4,632,166	—	—	—	4,632,166
Other purposes	73,708,060	—	—	104,120,453	177,828,513
Assigned to:					
Other purposes	16,350,368	—	—	—	16,350,368
Unassigned	164,371,449	—	—	—	164,371,449
Total fund balances	1,049,759,430	—	2,800,397,901	561,205,020	4,411,362,351
Total liabilities and fund balances	\$ 1,080,689,675	1,228,618,408	2,802,109,751	563,820,228	
Amounts reported for governmental activities in the statement of net position are different because capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.					645,862,393
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net position (Exhibit F).					115,879,551
Amounts presented in the statement of net position relating to net pension outflows					3,004,116
Some liabilities, including long-term debt, are not due and payable in the current period and, therefore, are not reported in the governmental funds:					
Long-term bank debt					(1,279,485)
Bond payable					(41,720,000)
Bond premium					(1,428,910)
Net pension liability					(88,005,720)
Compensated absences					(18,589,787)
Amounts presented in the statement of net position relating to net pension inflows					(31,341,169)
Net position of governmental activities					\$ 4,993,743,340

See accompanying notes to basic financial statements.

THE NAVAJO NATION

Basic Financial Statements

Fund Financial Statements – Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds – Exhibit D

Year ended September 30, 2020

Revenues	General fund (Schedule 6)	Grant fund	Permanent fund	Other governmental funds	Total governmental funds
Natural resource revenue:					
Oil and gas	\$ 19,454,942	—	—	—	19,454,942
Mining	41,094,216	—	—	—	41,094,216
Tax revenue, net (note 10)	85,633,091	—	—	14,178,452	99,811,543
Land, buildings, business site, and right-of-way revenue	71,465,965	—	—	824,583	72,290,548
Grant revenue	—	438,375,751	—	—	438,375,751
Interest and dividends	32,076,539	264,921	65,827,912	9,457,721	107,627,093
Net increase in fair value of investments	34,187,287	—	192,789,463	26,164,548	253,141,298
Pasture, rangeland, and forage insurance proceeds	30,749,423	—	—	—	30,749,423
Other revenue	29,203,067	—	663,090	11,405,421	41,271,578
Statutory allocation to permanent fund	(32,614,879)	—	35,461,703	(1,435,962)	1,410,862
Statutory allocation of current year revenues	(37,284,674)	—	—	26,779,349	(10,505,325)
Total revenues	273,964,977	438,640,672	294,742,168	87,374,112	1,094,721,929
Expenditures					
Current:					
General government	47,474,947	91,290,429	10,576,670	5,726,034	155,068,080
Economic development and planning	2,570,872	402,665	5,124	12,683	2,991,344
Community and rural development	47,777,267	15,686,606	1,084,810	6,654,506	71,203,189
Education and training	11,868,873	51,922,987	—	8,506,656	72,298,516
Natural resources	33,737,386	22,429,132	688,359	1,178,395	58,033,272
Public safety	8,007,374	49,773,318	—	2,528,361	60,309,053
Health and welfare	13,857,927	148,279,553	—	—	162,137,480
Culture and recreation	601,824	589	—	468,577	1,070,990
Transportation	—	9,290,685	—	2,685,259	11,975,944
Debt service – principal	937,389	—	—	2,940,000	3,877,389
Debt service – interest	45,355	—	—	1,909,626	1,954,981
Capital outlay	6,058,289	49,564,708	1,059,325	10,419,425	67,101,747
Total expenditures	172,937,503	438,640,672	13,414,288	43,029,522	668,021,985
Excess of revenues over expenditures	101,027,474	—	281,327,880	44,344,590	426,699,944
Other Financing Sources (Uses)					
Transfers (note 5)	13,213,277	—	(10,958,583)	2,435,894	4,690,588
Total other financing sources (uses)	13,213,277	—	(10,958,583)	2,435,894	4,690,588
Special Items					
Navajo Nation Water Resources					
Development Trust Fund	50,000,000	—	—	—	50,000,000
Claim settlements	6,500,000	—	—	—	6,500,000
Total special items	56,500,000	—	—	—	56,500,000
Net change in fund balances (Exhibit E)	170,740,751	—	270,369,297	46,780,484	487,890,532
Fund balance, beginning of year	879,018,679	—	2,530,028,604	514,424,536	3,923,471,819
Fund balance, end of year	\$ 1,049,759,430	—	2,800,397,901	561,205,020	4,411,362,351

See accompanying notes to basic financial statements.

THE NAVAJO NATION

Basic Financial Statements

Fund Financial Statements – Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities – Exhibit E

Year Ended September 30, 2020

Net change in fund balances – governmental funds (Exhibit D)		\$ 487,890,532
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 allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay	\$ 69,560,332	
Depreciation expense	<u>(23,996,166)</u>	
		45,564,166
Net deferred outflow of resources related to pensions do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		3,004,116
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		3,877,389
Bond premium amortization expense does not require the use of current financial resources and, therefore, is not reported as expenditure in the governmental funds.		223,710
Compensated absences do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		(3,646,541)
Net pension liabilities do not require the use of current financial resources and, therefore, are not reported in the governmental funds.		39,446,028
Net deferred inflow of resources related to pensions do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		1,878,056
Internal service funds are used by the Nation to charge the costs of certain activities to the individual funds. The net revenue of internal service funds applicable to governmental activities is reported with governmental activities (Exhibit G).		<u>2,766,495</u>
Change in net position of governmental activities (Exhibit B)	\$	<u><u>581,003,951</u></u>

See accompanying notes to basic financial statements.

THE NAVAJO NATION
Basic Financial Statements
Fund Financial Statements –Statement of Net Position – Proprietary Funds – Exhibit F
September 30, 2020

	Business-type activities – enterprise funds	Governmental activities – internal service funds
Assets and Deferred Outflow of Resources		
Current assets:		
Cash and cash equivalents (note 2)	\$ 107,311,196	68,574,541
Investments (note 2)	11,733,274	60,015,024
Receivables:		
Accrued interest receivable	3,640	119,457
Accounts receivable, net	171,570	197,604
Current portion of notes receivable (note 3)	1,141,280	—
Inventory	—	283,329
Total receivables	<u>1,316,490</u>	<u>600,390</u>
Total current assets	<u>120,360,960</u>	<u>129,189,955</u>
Noncurrent assets:		
Receivables:		
Notes receivable, net (note 3)	3,114,633	—
Capital assets (note 4):		
Construction in progress	113,671	17,197
Land and land development costs	960,962	—
Buildings	33,957,505	373,739
Vehicles	—	48,112,773
Equipment	<u>2,079,106</u>	<u>6,252,609</u>
Total capital assets	37,111,244	54,756,318
Accumulated depreciation	<u>12,525,205</u>	<u>46,850,067</u>
Capital assets, net	<u>24,586,039</u>	<u>7,906,251</u>
Total noncurrent assets	<u>27,700,672</u>	<u>7,906,251</u>
Pension related outflows	<u>35,663</u>	<u>36,384</u>
Total deferred outflow of resources	<u>35,663</u>	<u>36,384</u>
Total assets and deferred outflows	<u>\$ 148,097,295</u>	<u>137,132,590</u>
Liabilities, Deferred Inflows, and Net Position		
Current liabilities:		
Accounts payable (note 6)	\$ 441,358	1,762,352
Accrued liabilities (note 6)	1,120,232	288,692
Current portion of compensated absences (note 8)	332,512	385,894
Unearned revenue (note 7)	—	5,467,519
Current estimated claims payable (note 8)	<u>—</u>	<u>8,223,271</u>
Total current liabilities	<u>1,894,102</u>	<u>16,127,728</u>
Noncurrent liabilities:		
Estimated claims payable (note 8)	—	3,679,857
Net pension liability (note 9)	<u>1,044,712</u>	<u>1,065,870</u>
Total noncurrent liabilities	<u>1,044,712</u>	<u>4,745,727</u>
Total liabilities	<u>2,938,814</u>	<u>20,873,455</u>
Pension-related inflows	<u>372,051</u>	<u>379,584</u>
Total deferred inflow of resources	<u>372,051</u>	<u>379,584</u>
Net position:		
Net investment in capital assets	24,586,039	7,906,251
Expendable restricted net position - Restricted for claims and refunds	—	75,729,406
Unrestricted	<u>120,200,391</u>	<u>32,243,894</u>
Total net position	<u>144,786,430</u>	<u>115,879,551</u>
Total liabilities, deferred inflows, and net position	<u>\$ 148,097,295</u>	<u>137,132,590</u>

See accompanying notes to basic financial statements.

THE NAVAJO NATION

Basic Financial Statements

Fund Financial Statements –Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds – Exhibit G

Year ended September 30, 2020

	Business-type activities – enterprise funds	Governmental activities – internal service funds
Operating revenues:		
Rental income	\$ 2,696,558	—
Interest income – notes receivable	343,576	—
Insurance premium income	—	50,626,318
Charges for services	9,520,459	12,204,924
Other income	189,818	435,701
Total operating revenues	12,750,411	63,266,943
Operating expenses:		
Personnel	1,699,473	1,337,789
Travel, per diem, and vehicle	675,915	334,866
Supplies	750,716	4,009,120
Cost of goods sold	—	392,051
Contractual service	742,649	6,153,601
Lease, telephone, and utilities	670,978	351,674
Repairs and maintenance	408,417	239,665
Provision for bad debts	341,647	—
Depreciation expense	635,662	3,719,415
Benefits and claims	—	33,225,905
Reinsurance premiums	39,261	7,230,299
Tribal grants	805,000	—
Other expenses	636,172	159,920
Total operating expenses	7,405,890	57,154,305
Operating income	5,344,521	6,112,638
Nonoperating revenues:		
Interest and dividends	152,306	875,831
Net increase in fair value of investments	—	1,117,688
Statutory allocations	4,246,451	—
Total nonoperating revenues	4,398,757	1,993,519
Nonoperating revenues, net	4,398,757	1,993,519
Income before transfers	9,743,278	8,106,157
Transfers (note 5)	649,074	(5,339,662)
Change in net position	10,392,352	2,766,495
Net position, beginning of year	134,394,078	113,113,056
Net position, end of year	\$ 144,786,430	115,879,551

See accompanying notes to basic financial statements.

THE NAVAJO NATION
Basic Financial Statements
Fund Financial Statements – Statement of Cash Flows – Proprietary Funds – Exhibit H
Year ended September 30, 2020

	Business-type activities – enterprise funds	Governmental activities – internal service funds
Cash flows from operating activities:		
Receipts from customers	\$ 12,699,991	12,779,956
Cash received for premiums from the government	—	46,311,703
Cash received from others for premiums	—	7,150,685
Receipt of interest on loans	343,576	—
Payments to employees for services	(3,511,315)	(3,145,514)
Payments of claims	—	(31,914,196)
Payments to suppliers	(1,092,510)	(4,301,848)
Payments to third parties for services	(3,310,871)	(9,579,585)
Other receipts	(186,101)	369,774
Net cash from operating activities	<u>4,942,770</u>	<u>17,670,975</u>
Cash flows from capital and related financing activity:		
(Acquisition) of capital assets	(1,401,231)	(67,450)
Sale of capital assets	—	12,707
Net cash from capital and related financing activity	<u>(1,401,231)</u>	<u>(54,743)</u>
Cash flows from noncapital and related financing activity:		
Statutory Allocation	4,246,451	—
Transfer	649,074	(5,339,662)
Net cash from noncapital and related financing activity	<u>4,895,525</u>	<u>(5,339,662)</u>
Cash flows from investing activities:		
Purchase of investments	(55,009,412)	(113,515,358)
Sales of investments	53,996,620	106,445,448
Interest on investment and cash balances	214,793	1,008,766
Net cash from investing activities	<u>(797,999)</u>	<u>(6,061,144)</u>
Net increase in cash and cash equivalents	7,639,065	6,215,426
Cash and cash equivalents, beginning of year	99,672,131	62,359,115
Cash and cash equivalents, end of year	<u>\$ 107,311,196</u>	<u>68,574,541</u>
Reconciliation of operating income to net cash from operating activities:		
Operating income	\$ 5,344,521	6,112,638
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation expense	635,662	3,719,415
Provision for bad debts	341,647	—
Decrease (increase) in accounts receivable	(171,524)	3,345,177
(Increase) in inventories	—	(283,329)
Decrease in notes receivable	654,494	—
(Increase) in deferred outflows	(35,663)	(36,384)
(Decrease) in accounts payable and accrued liabilities	(50,189)	(194,427)
Increase in unearned revenue	—	5,467,519
(Decrease) in net pension liability	(1,558,493)	(1,586,271)
Increase in compensated absences	88,765	126,605
Increase in estimated claims payable	—	1,311,709
(Decrease) in deferred inflows	(306,450)	(311,677)
Total adjustments	<u>(401,751)</u>	<u>11,558,337</u>
Net cash from operating activities	<u>\$ 4,942,770</u>	<u>17,670,975</u>

See accompanying notes to basic financial statements.

THE NAVAJO NATION

Basic Financial Statements

Fund Financial Statements – Statement of Fiduciary Net Position – Fiduciary Funds – Exhibit I

September 30, 2020

	Pension trust funds	Private- purpose trust funds
Assets and Deferred Outflows		
Cash and cash equivalents (note 2)	\$ 14,701,277	58,607,920
Investments (note 2)	1,123,215,248	227,899,861
Accrued interest receivable	2,380,102	571,341
Note receivable (note 3)	—	8,097,612
Participant loans receivable	8,989,920	—
Total assets	<u>1,149,286,547</u>	<u>295,176,734</u>
Pension-related outflows	<u>—</u>	<u>470</u>
Total deferred outflows of resources	<u>—</u>	<u>470</u>
Total assets and deferred outflows	<u>1,149,286,547</u>	<u>295,177,204</u>
Liabilities, Deferred Inflows, and Net Position		
Accounts payable and accrued liabilities (note 6)	958,814	350,256
Net pension liability (note 9)	<u>—</u>	<u>13,754</u>
Total liabilities	<u>958,814</u>	<u>364,010</u>
Pension-related inflows	<u>—</u>	<u>4,898</u>
Total deferred inflows of resources	<u>—</u>	<u>4,898</u>
Net position held in trust for pension benefits and other purposes	<u>\$ 1,148,327,733</u>	<u>294,808,296</u>

See accompanying notes to basic financial statements.

THE NAVAJO NATION

Basic Financial Statements

Fund Financial Statements – Statement of Changes in Fiduciary Net Position – Fiduciary Funds – Exhibit J

Year ended September 30, 2020

	Pension trust funds	Private- purpose trust funds
Additions:		
Interest and dividends	\$ 24,760,063	4,526,696
Net increase in fair value of investments	78,779,848	26,148,157
Contributions to plans (note 9)	46,712,337	—
Tax revenue (note 10)	—	11,757,180
Other revenue	—	184,970
Statutory allocation of current year revenue, net	—	4,848,012
Total additions	<u>150,252,248</u>	<u>47,465,015</u>
Deductions:		
Personnel	318,347	13,820
Travel	14,348	163,310
Supplies	15,771	2,596
Chapter disbursements	—	6,371,456
Tribal grants	—	4,437,261
Utilities	168,549	146
Retirement benefits	55,388,541	—
Contractual services	6,121,688	640,801
Scholarship payments	—	220,412
Other	42,979	342,448
Total deductions	<u>62,070,223</u>	<u>12,192,250</u>
Change in net position	88,182,025	35,272,765
Net position, beginning of year	<u>1,060,145,708</u>	<u>259,535,531</u>
Net position, end of year	<u>\$ 1,148,327,733</u>	<u>294,808,296</u>

See accompanying notes to basic financial statements.

THE NAVAJO NATION

Notes to Basic Financial Statements

September 30, 2020

(1) Basis of Accounting and Summary of Significant Accounting Policies

(a) Reporting Entity

The accompanying financial statements reflect the operations and financial position of the operations, which are accounted for by the Office of the Controller of the Navajo Nation. These operations provide the Navajo Nation (the Nation) with traditional governmental services such as public safety, education, health, and management of natural resources, as well as certain other activities such as economic development, community development, chapter projects, transportation, and cultural and recreational activities and employee benefits.

The Nation has adopted Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations Are Component Units – an amendment of GASB Statement No. 14*, GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*, and GASB Statement No. 80, *Blending Requirements for Certain Component Units*, which provide guidance in determining whether certain organizations are component units and the presentation of these component units in the financial statements. Criteria for determining whether related organizations are component units include the following circumstances:

- Appointment of a voting majority of an organization's governing authority and the ability of the Nation to either impose its will on that organization or the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Nation, or;
- An organization is fiscally dependent on the Nation and provides specific financial benefits to, or imposes specific financial burdens on, the Nation, or;
- It is determined that it would be misleading to exclude the related organization from the Nation's financial statements because of the nature of the entity or because the entity is closely related to or financial integrated with the Nation.

The financial statements do not include the assets, liabilities, net position, or results of operations of certain entities that are legally separate from the Nation and/or which are financially accountable to the Nation. Some of these entities have had capital investments and contributions made by the Nation. The modified budget basis of accounting requires the financial statements of such entities to be included in the financial statements.

The financial statements do not include the financial position or activities of various private and governmental agencies operating within reservation boundaries or programs conducted on the Navajo reservation, which do not involve the use of Nation funds and over which the Navajo Nation Council does not exercise fiscal or administrative control.

As a Native American Indian Tribe, the Nation considers itself exempt from federal and state income taxes.

(b) Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and activities) display information about the Nation's governmental and business-type activities. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations of internal activity have been made in these statements. The governmental activities are reported separately from the business-type activities.

THE NAVAJO NATION

Notes to Basic Financial Statements

September 30, 2020

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Nation's governmental and business-type activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other revenues not properly included among program revenues are reported as general revenues.

(c) Fund Financial Statements

The Nation uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Funds are classified into three categories: governmental, proprietary, and fiduciary. Each category, in turn, is divided into separate fund types. Separate financial statements are provided for the governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed as a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Internal service funds and each of the fiduciary fund types are reported in the aggregate.

The funds used by the Nation are as follows:

Governmental Funds

(i) General Fund (Major Fund)

The General Fund represents the operating activities of the Nation. The Navajo Nation Council appropriates funds for the expenditures of the General Fund. Within the General Fund, funds are appropriated in the following categories:

Operating Appropriations – Appropriations allocated to operating departments and programs that are budgeted annually. Unencumbered balances at the close of each fiscal year revert to General Fund unassigned fund balance, unless otherwise specified by the Navajo Nation Council.

Capital Project Appropriations – Appropriations for items of a capital nature. Unencumbered balances at the close of each fiscal year revert to General Fund unassigned fund balance, unless otherwise specified by the Navajo Nation Council.

Reimbursements of administrative costs (indirect costs) incurred by the Nation's General Fund in connection with the administration of programs funded by various grantor agencies are recorded as expenditures in the Grant Fund and as a reduction of General Fund expenditures. Realization of the amounts recorded is subject to approval and audit by grantor agencies and availability of funds from such grantors.

In connection with the adoption of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in 2011, the Nation consolidated several funds, which were

THE NAVAJO NATION

Notes to Basic Financial Statements

September 30, 2020

previously classified as a special revenue fund type into the General Fund. The following is a list of other funds combined with the General Fund.

(ii) *Navajo Dam Escrow Fund (included in General Fund)*

The Navajo Dam Escrow Fund is used to account for monetary settlements received in connection with an agreement between the Nation and the City of Farmington, New Mexico. Funds within the account shall be used solely for the purpose of collateralizing loans to Navajo individuals or entities within the San Juan County, New Mexico portion of the Nation.

(iii) *Oil and Gas Development Fund (included in General Fund)*

The Oil and Gas Development Fund is used to provide financing for development projects and related costs of the Navajo Nation Oil and Gas Company, Inc. in furtherance of the Navajo Nation Energy Policy and pursuant to its corporate charter.

(iv) *Navajo Nation Reforestation Fund (included in General Fund)*

The Navajo Nation Reforestation Fund is used to account for funds reserved for the purpose of reseeding land within the Nation.

(v) *Capital Outlay Match Fund (included in General Fund)*

The Capital Outlay Match Fund was established during 2001 with a \$5,000,000 appropriation from the Navajo Nation Council. The Nation often receives capital outlay grants for projects that benefit the Navajo people. The purpose of the Capital Outlay Match Fund is to establish a ready source of funds to meet the matching requirements associated with these grants.

(vi) *Sihasin Fund (included in General Fund)*

The Sihasin Fund was created with monies received from a settlement with the U.S. government related to trust mismanagement of assets. The purposes of the fund include financing the planning and development of regional infrastructure, supporting economic and community development, education opportunities for members of the Nation, and leveraging the fund by way of guaranteeing loans or match funding.

(vii) *License Plate Revenue Fund (Included in General Fund)*

The License Plate Revenue Fund was established to account for the revenue from the sale of Arizona specialty license plates.

Special Revenue Fund Type

Special Revenue Funds are used to account for revenue from specific sources that are restricted by law or administrative action for specific purposes as follows:

(i) *Grant Fund (Major Fund)*

The Grant Fund is used to account for the activities and programs over which the Nation exercises fiscal and administrative control, which are financed by various grantors. Program expenditure budgets are approved by the grantors. Disallowed costs, if any, resulting from compliance audits are recorded during the period when an amount is mutually agreed upon.

THE NAVAJO NATION

Notes to Basic Financial Statements

September 30, 2020

(ii) *Scholarship Fund (Nonmajor Fund)*

The Scholarship Fund is used to account for certain assets budgeted to provide scholarships to tribal members for educational purposes. 8.3333% of sales tax revenue, net of statutory allocations to the Permanent Fund, Veterans Trust Fund, and Land Acquisition Fund are deposited to this Fund.

(iii) *Navajo Tourism Fund (Nonmajor fund)*

The Navajo Tourism Fund is used to account for taxes, which are assessed on hotel room rentals within the Nation. The funds are to be used to improve tourism in the Nation.

(iv) *Navajo Nation Environmental Protection Agency Fund (Nonmajor Fund)*

The Navajo Nation Environmental Protection Agency Fund is used to account for fees and penalties imposed upon owners and operators of underground storage tanks. The funds are to be used to administer and regulate the Navajo Nation Underground Storage Tank Act.

(v) *Tax Suspense Fund (Nonmajor Fund)*

The Tax Suspense Fund is used to account for 2% of actual tax payments received, which are set aside to pay future tax claims and refunds. No later than 60 days prior to the end of each fiscal year, the Navajo Tax Commission shall make a determination as to what amount, if any, may be released from the fund to the General Fund.

(vi) *Water Rights Fund (Nonmajor Fund)*

The Water Rights Fund was established in 2003 with a \$2,100,000 appropriation from the Nation's Council. The purpose of the Water Rights Fund is to provide assured annual funding for the protection of the Nation's water rights in the states of Arizona, Utah, and New Mexico.

(vii) *Navajo Nation Roads Fund (Nonmajor Fund)*

The Navajo Nation Roads Fund is used to account for the proceeds generated from the Nation's fuel excise tax. The tax proceeds are to be utilized to meet highway funding regulations and design standards, to improve overall road systems, to improve safety, and to meet community and economic development needs.

(viii) *Land Acquisition Fund (Nonmajor Fund)*

The Land Acquisition Fund is used to provide revenue to acquire land, including existing structures, for the Nation in accordance with the Navajo Nation Land Acquisition Policies and Procedures. 2% of all unrestricted revenue of the Nation are transferred, via statutory allocation, to the Land Acquisition Fund. The Navajo Nation Council resolution, which established the fund, stipulates that the principal may not be expended except pursuant to a referendum adopted by a two-thirds majority vote of the Navajo Nation Council. 90% of the income earned is available for the stated purpose; the remainder is to be reinvested as principal.

(ix) *Navajo Rehabilitation Trust Fund (Nonmajor Fund)*

The Navajo Rehabilitation Trust Fund is used to account for amounts received from the U.S. government to benefit Navajo people and communities affected by the settlement of the Navajo/Hopi land dispute.

THE NAVAJO NATION

Notes to Basic Financial Statements

September 30, 2020

The fund qualifies as a special revenue fund as it has a recurring source of revenue through a business site lease with the Navajo Nation Gaming Enterprise (NNGE) Twin Arrows Casino and the fund is to be used for specific purposes.

(x) *Gaming Development Fund (Nonmajor Fund)*

The Gaming Development Fund is used to account for the proceeds generated from any agreements entered into by the Nation concerning the lease of gaming machines to any other Indian Nation. These sources of revenues will be used to provide funding for gaming development within the Nation.

(xi) *Gaming Revenue Distribution Fund (Nonmajor Fund)*

The Gaming Revenue Distribution Fund is used to account for the proceeds received from the Navajo Nation Gaming Enterprise and to provide an allocation plan for the use of the revenue received.

(xii) *Judicial/Public Safety Facilities Fund (Nonmajor Fund)*

The Judicial/Public Safety Fund was established to provide funding for judicial and public safety facilities as approved by the Judiciary Committee and Public Safety Committee. Projects or activities funded by this fund include planning, site clearance, and development; site improvement and landscape development; utility access; street access and parking areas; construction, maintenance, renovation, and repair; and debt service financing as needed for these activities. 16.6666% of sales tax revenue, net of statutory allocations to the Permanent Fund, Veterans Trust Fund, and Land Acquisition Fund are deposited to this fund.

(xiii) *Department of Public Safety (DPS) Gaming Fund (Nonmajor Fund)*

The DPS Gaming Fund was established to provide funding for police services at various Nation casinos.

(xiv) *DPS Alcohol Tax Fund (Nonmajor Fund)*

The DPS Alcohol Tax Fund was established to fund public welfare. A 3.25% tax is added to the sale of all alcoholic beverages sold.

(xv) *Healthy Diné Tax Act Fund*

The Healthy Diné Tax Act Fund was established to fund community wellness projects. A 2% tax is added to the sale of food or beverage items considered to have minimal-to-no nutritional value.

(xvi) *Fire & Rescue Services Fund*

The Fire & Rescue Services Fund was established to provide funding for fire and rescue services throughout the Navajo Nation. Starting on October 1, 2018, 16.6666% of sales tax revenue, net of statutory transfers to the Permanent Fund, Veterans Trust Fund, and Land Acquisition Fund will be deposited to this fund.

(xvii) *Navajo Tribal Utility Authority Emergency and Replacement Fund*

The Navajo Tribal Utility Authority (NTUA) Emergency and Replacement Fund was established to provide funding for emergency water and wastewater projects and replacement throughout the Navajo Nation. Starting on October 1, 2018, 60% of sales tax revenue associated with construction

THE NAVAJO NATION

Notes to Basic Financial Statements

September 30, 2020

of public water and wastewater, net of statutory transfers to the Permanent Fund, Veterans Trust Fund, and Land Acquisition Fund will be deposited to this fund.

Debt Service Fund Type

Debt Service Funds are used to account for and report financial resources that are restricted to expenditures for principal and interest of long-term debt as follows:

(i) *FMIS Key Bank Loan Fund (Nonmajor Fund)*

The fund was established with an unsecured general obligation credit facility to maintain and upgrade the Nation's Financial Management Information System. The loan will be repaid with general funds.

(ii) *NTUA Key Bank Loan Fund (Nonmajor Fund)*

The Navajo Tribal Utility Authority (NTUA) Key Bank Loan Fund was established to provide funding for emergency services to residents of the Nation without access to water because of extended, extreme freezing temperatures on the Navajo Nation. The fund was established with an unsecured general obligation credit facility. The loan will be repaid with the proceeds received from NTUA.

Permanent Fund Type

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the Nation's programs. The Nation has the following permanent fund types:

(i) *Permanent Fund (Major Fund)*

The Permanent Fund was established to provide revenues in future years. The Navajo Nation Council resolution, that established the fund, stipulates that the principal may not be expended except pursuant to a referendum approved by the Navajo Nation Council and adopted by a two-thirds majority vote of registered Navajo voters. Through September 20, 2005, 12% of all unrestricted revenues of the Nation were required to be transferred, via statutory allocation, to the Permanent Fund. Beginning October 1, 2005, 95% of the fund's income is available to supplement operations of the Nation's government. Beginning October 1, 2006, 50% of the fund's income is available to be transferred to the Local Governance Trust Fund once a five-year spending plan is established.

(ii) *Chapter Government Nation Building Fund (Claims Fund) (Nonmajor Fund)*

The Chapter Government Nation Building Fund is used to account for assets budgeted for use on chapter projects. 95% of income earned on the assets is to be distributed to Navajo chapters for the benefit of chapter members.

THE NAVAJO NATION

Notes to Basic Financial Statements

September 30, 2020

Proprietary Funds

Proprietary Funds are used to account for activities that are similar to those often found in the private sector. The Nation utilizes the following proprietary funds:

Enterprise Fund Type

Enterprise Funds are used to report activity for which a fee is charged to external users for goods and services. The Nation utilizes the following enterprise funds:

(i) *Business and Industrial Development Fund (Nonmajor Fund)*

The Business and Industrial Development Fund was established to promote economic development through investment in, and loans to, entities that conduct business on the reservation. 8.3333% of sales tax revenue, net of statutory allocations to the Permanent Fund, Veterans Trust Fund, and Land Acquisition Fund are deposited to this Fund.

(ii) *Loan Fund (Nonmajor Fund)*

The Loan Fund is used to account for the loan programs that are administered by the Credit Services Department of the Division of Finance or the Veterans' Affairs Program of the Division of Human Resources.

(iii) *Employee Housing Fund (Nonmajor Fund)*

The Employee Housing Department maintains and rents 149 housing units to Nation employees. Monthly rental payments are automatically deducted from Nation employee paychecks and are expected to be sufficient to fund the operations of the program.

(iv) *Parks and Recreation Fund (Nonmajor Fund)*

The Parks and Recreation Fund is utilized to account for the scenic tour fees, gift shop charges, camping fees, and other charges associated with Nation parks and recreation areas. The largest of these parks is the Monument Valley Tribal Park. The fees collected are expected to be sufficient to fund the Parks and Recreation department operations.

(v) *Fish and Wildlife Fund (Nonmajor Fund)*

The Fish and Wildlife Fund was established to manage, conserve, and protect the Nation's fish, wildlife, and plant resources and their habitats. The fund is utilized to account for the fees collected from hunting, fishing, and other wildlife management activities.

(vi) *Navajo Nation Code Fund (Nonmajor Fund)*

The Navajo Nation Code Fund was established to account for the revenue generated from sale, reproduction, and transmission of the Navajo Nation Code and related expenses.

(vii) *Navajo Transit Fund (Nonmajor Fund)*

The Navajo Transit Fund was established to account for the revenue generated from fixed route transportation services for transporting passengers and their baggage, newspapers, and express mail, between points in New Mexico and Arizona. In addition, the fund accounts for charter transportation services for passengers and their baggage between points in Arizona and New Mexico and other points in Utah, Colorado, California, Nevada, Idaho, Oregon, Washington,

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Oklahoma, Texas, Kansas, Mississippi, Illinois, Arkansas, Tennessee, North Carolina, Virginia, Missouri, Louisiana, and the District of Columbia.

(viii) *Livestock Custody Fund (Nonmajor Fund)*

The Livestock Custody Fund was established to administer service fees under Inspection of Livestock provided from the Navajo Department of Resource Enforcement: to enhance methods of seizure of livestock; to safeguard the livestock industry, the livestock owner, and the Navajo Nation Government; to develop and maintain records for purposes of livestock tracking, animal identification, and ownership identification; to adhere to service charges and fees established by Navajo law; to initiate and establish a livestock identification program required by the U.S. government; and to collect penalties from violations of Navajo law regarding livestock.

(ix) *Fourth of July Celebration Fund (Nonmajor Fund)*

The Fourth of July Celebration Fund was established to provide a dedicated source of funds to the Annual Navajo Nation Fourth of July Celebration as a self-sustaining event. All sources of revenue from this event as well as expenses are recorded in this fund.

(x) *Annual Navajo Nation Fair Fund (Nonmajor Fund)*

The Annual Navajo Nation Fair Fund was established to provide a dedicated source of funds to the Annual Navajo Nation Fair as a self-sustaining event. All sources of revenue from this event as well as expenses are recorded in this fund.

(xi) *Tribal Ranch Fund (Nonmajor Fund)*

The Navajo Nation Tribal Ranch Fund was established to administer and regulate the Nation's tribal ranches specifically, ensuring the ranchers and lessees comply with U.S. Forest Service, Bureau of Land Management, adjoining states, and other governmental regulations and/or guidelines.

(xii) *Veterinary Medical Sales Fund (Nonmajor Fund)*

The Navajo Nation Veterinary Medical Sales Fund was established to enable the Nation's Veterinary and Livestock Program to provide low cost comprehensive veterinary services and interact with Federal and State Veterinary Agencies in accordance with the Nation's Emergency Response to a Foreign Animal Disease, the Livestock and Foreign Animal Disease Act of 2006, and the Nation's Veterinary Act of 2007.

(xiii) *Colorado Ranch Fund (Nonmajor Fund)*

The Colorado Ranch Fund was established to manage, conserve, and protect the Nation's fish, wildlife, and plant resources and their habitats on lands owned in Colorado. The fund is utilized to account for the fees collected from hunting, fishing, and other wildlife management activities at the Colorado Ranch.

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Internal Service Fund Type

Internal service funds are utilized to account for goods or services that are provided to the Nation's departments on a cost reimbursement basis. The Nation utilizes the following internal service funds:

(i) *Fleet Management Fund*

The Fleet Management department provides motor vehicle transportation services to the Nation's departments and programs, including those of certain affiliates. Fees collected from vehicle rentals and mileage are expected to be sufficient to sustain operations of the program.

(ii) *Duplicating Services Fund*

The Duplicating Services department provides duplicating services to the Nation's departments and programs, including those of certain affiliates. Fees collected from duplicating services are expected to be sufficient to sustain operations of the program.

(iii) *Office Supply Center Fund*

The Office Supply Center procures office supplies, which are sold to the Nation's departments and programs, including those of certain affiliates. Fees collected from the sale of supplies are expected to be sufficient to sustain operations of the program.

(iv) *Air Transportation Fund*

The Air Transportation department utilizes three aircraft to provide flight services to Nation employees and third parties working on Nation government business. Fees billed to Nation departments for individual flights are expected to be sufficient to support program operations and aircraft maintenance.

(v) *Group Health Self-Insurance Fund*

The Group Health Self-Insurance Fund is used to account for the accumulation of funds, which are expected to be used to pay for health insurance claims of the Nation and certain affiliates. Life insurance premiums of third-party providers are also paid from this fund. The majority of this fund's services are provided to departments and programs of the Nation's primary government.

(vi) *Property and Casualty Self-Insurance (Risk Management) Fund*

The Property and Casualty Self-Insurance (Risk Management) Fund is used to account for the accumulation of funds, which are expected to be used to pay for liability and property claims and related costs necessary to administer a comprehensive risk management program for the Nation and certain affiliates. The majority of this fund's services are provided to departments and programs of the Nation's primary government.

(vii) *Workers' Compensation Self-Insurance Fund*

The Workers' Compensation Self-Insurance Fund is used to account for the accumulation of funds, which are expected to be used to pay for workers' compensation claims of employees of the Nation and of certain affiliates. The majority of this fund's services are provided to departments and programs of the Nation's primary government.

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(viii) *Contingency Management Fund*

The Contingency Management Fund was established in 1996 through a transfer of General Fund amounts. The Contingency Management Fund is used to account for management of the Nation's risk of loss.

Fiduciary Funds

Fiduciary funds are utilized to account for assets held in a trustee capacity for others and, therefore, cannot be used to support the Nation's programs. Fiduciary funds are not classified as either major or nonmajor. The Nation uses the following fiduciary funds:

Pension Trust Funds

(i) *Retirement Fund*

The Retirement Fund includes the activities of the retirement plan for the Nation and certain affiliates. The plan covers all full-time employees. The provision for the retirement plan contribution is sufficient to cover the plan's normal cost and amortization of past service costs over 40 years. The policy is to fund pension costs accrued. Contributions are recognized when received and retirement benefits are recognized when paid.

(ii) *Deferred Retirement Fund*

The Deferred Retirement Fund includes the activities of the deferred retirement plan, which covers members of the Navajo Nation Council, the President, and the Vice President, and the deferred compensation plan, which covers employees who serve at the pleasure of the Navajo Nation Council, the President, and Speaker of the Council. The contribution to the fund is based upon a percentage of an official's compensation and is funded currently. The participants' deferred compensation benefit is their share of the market value of the fund.

(iii) *Nihibeeso 401(k) Fund*

The Nihibeeso 401(k) Fund includes the activities of the 401(k) retirement plan for the Nation and certain affiliates. Any employee of the Nation or participating affiliate over the age of 21 is eligible to participate in this plan. Contributions by the Nation vest after four years of service. Employees may contribute up to 16% of their compensation and the Nation will match 50% of the first 6% of the employee's contribution. Contributions are funded currently.

Private-Purpose Trust Funds

(i) *Handicapped Services Trust Fund*

The Handicapped Services Trust Fund is used to supplement programs and projects, which provide services to handicapped Navajo citizens. The Navajo Nation Council resolution, that established the fund, stipulates that the principal may not be expended except pursuant to a referendum adopted by a two-thirds majority vote of registered Navajo voters. 95% of the income earned is available for the stated purpose; the remainder is to be reinvested as principal.

(ii) *Senior Citizens Services Trust Fund*

The Senior Citizens Services Trust Fund is used to supplement programs and projects, which provide services to Navajo senior citizens. The Navajo Nation Council resolution, that established the fund, stipulates that the principal may not be expended except pursuant to a referendum

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adopted by a two-thirds majority vote of registered Navajo voters. 95% of the income earned is available for the stated purpose; the remainder is to be reinvested as principal.

(iii) *Vocational Education Trust Fund*

The Vocational Education Trust Fund is used to fund grants to Navajo students attending vocational education institutions and to apprentices and practitioners selected to participate in the Navajo Traditional Apprenticeship Project on an annual basis.

The Navajo Nation Council resolution, that established the fund, stipulates that the principal may not be expended except pursuant to a referendum adopted by a two-thirds majority vote of registered Navajo voters. 4% of the previous year's market value of the fund is available for the stated purpose; the remainder is to be reinvested as principal.

(iv) *Navajo Academy Trust Fund*

The Navajo Academy Trust Fund is intended to be used by the Navajo Preparatory School to provide funds to upgrade classroom equipment and materials, to fund costs associated with new educational facilities, and to fund scholarships for Navajo Preparatory School graduates to pursue postsecondary education. The Navajo Nation Council resolution, that established the fund, stipulates that the principal may not be expended except pursuant to a referendum adopted by a two-thirds majority of registered Navajo voters. 4% of the previous year's market value of the fund is available for the stated purpose; the remainder is to be reinvested as principal.

(v) *Navajo Trust Fund*

The Navajo Trust Fund was established as a result of the exchange/sale of the former Phoenix Indian School property. The United States wanted to acquire private land adjacent to the Big Cypress National Preserve to be included in the National Wildlife Refuge System and offered in exchange for this property the former Phoenix Indian School property. Trust income may be used only for supplemental educational and child welfare programs, activities, and services to benefit the Nation, and the design, construction, improvement, or repair of related facilities.

(vi) *Sales Tax Trust Fund*

The Sales Tax Trust Fund is used to accumulate net sales tax revenue collected from retail establishments on the Navajo reservation. The net sales tax revenue collected from retail establishments is to be distributed to the specific Nation chapter in which the retail sale occurred, so long as that chapter is governance certified as defined by the Navajo Nation Local Governance Act. Net sales tax revenue collected from retail establishments where no governance certified chapter exists shall be distributed pursuant to a plan of operation developed by the Nation and approved by the Budget and Finance Committee of the Navajo Nation Council.

(vii) *Local Governance Trust Fund*

The Local Governance Trust Fund was established during 2001 with a \$2,400,000 appropriation from the Navajo Nation Council. The purpose of the Local Governance Trust Fund is to support the chapters of the Nation in the implementation of the Local Governance Act enacted by the Navajo Nation Council in 1998.

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(viii) *Veterans' Trust Fund*

The Veterans' Trust Fund is used to account for the accumulation of funds, which are expected to be used to pay for veterans' programs, projects, and services or activities, as well as survivors' benefits for the surviving spouses of deceased veterans. Beginning in fiscal year 2009, 4% of all unrestricted revenues is transferred, via statutory allocation, to the Veterans' Trust Fund. Beginning in fiscal year 2004, 4% of the average market value of the fund is available to be spent for the stated purpose; the remainder is to be reinvested as principal.

(ix) *Navajo Bennett Freeze Trust Fund*

The Navajo Bennett Freeze Trust Fund is used to record the disputed area receipts. The fund was established during 2011 with a deposit of \$5,700,000 that was disbursed out of an escrow from the U.S. Treasury. The funds from the escrow account are for the use and benefit of the Western Navajo Agency Chapters impacted by the Bennett Freeze.

(d) *Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

The government-wide financial statements are reported using the economic resources measurement focus, which reflects all long-term assets and liabilities, and the modified accrual budget basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are generally recorded when earned, except for taxes, natural resources, and right-of-way revenue, which are recognized when received, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Administrative overhead charges are included with direct expenses.

Governmental fund financial statements are accounted for using the current financial resources measurement focus and the modified accrual budget basis of accounting, which has been developed based upon U.S. generally accepted accounting principles, as modified by Navajo Nation Council resolutions and financial reporting practices. Under this basis of accounting, governmental fund revenues are recorded when susceptible to accrual, that is, both measurable and available to be budgeted to pay liabilities of the current period, October 1, 2019 to September 30, 2020, except for taxes, natural resources and right-of-way revenue, which are recognized when received. Interest income generated by assets of the Grant Fund is recorded in the General Fund. Other financing sources include the proceeds of long-term debt and obligations under capital leases. Notes receivable from related enterprises are recorded as assets of the funds that financed the notes.

The Nation prepares its budget on the budgetary basis of accounting, which differs from the modified accrual budget basis of accounting. The difference between the budgetary basis and the modified accrual budget basis of accounting is that encumbrances are recorded as the equivalent of expenditures (budgetary basis) as opposed to a commitment of fund balance (modified accrual budget basis).

In applying the susceptible to accrual concept to Grant Fund revenue, the legal and contractual requirements of the individual programs are used as guidance. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met and the related expenditure has been incurred. Such expenditures must be expended for the specific purpose outlined in the grant before they are recognized.

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Grant Fund expenditures are subject to fiscal and/or program compliance audits by the grantors, which may result in disallowed program expenditures. Generally, such audits must commence within three years of the program's termination date. Expenditures disallowed as a result of such audits, if any, would require a General Fund appropriation.

Proprietary funds distinguish operating revenues and expenses from nonoperating revenues and expenses.

Operating revenues include activities that are generated through the entity's business activity. Examples include a) loan interest income; b) insurance premiums; c) gift shop charges; d) rental fees; and e) supply charges.

Nonoperating revenues include activities that have the characteristics of nonexchange transactions and primarily include interest and dividend income from investments.

Operating expenses include activities that have the characteristics of an exchange transaction, such as a) employee salaries, benefits, and related expense; b) cost of sales and services; c) insurance benefit payments; and d) depreciation expenses related to capital assets.

Nonoperating expenses include activities that have the characteristics of nonexchange transactions, such as interest on debt.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the Nation's policy is to first apply the expense toward restricted resources, and then toward unrestricted resources.

(e) Statutory Allocations

General Fund revenues are subject to statutory allocations to other funds and are recorded based on percentages established by the Navajo Tribal Code (the Code). The specific percentages are discussed in the Fund Financial Statements section of the notes to the basic financial statements.

(f) Net Position Classification and Fund Balances

In the government-wide financial statements, net position is classified as follows:

Net investment in capital assets represents the Nation's total investment in capital assets, net of outstanding debt related to those capital assets.

Restricted net position represents those operating funds on which external restrictions or restrictions imposed by law have been imposed that limit the purposes for which such funds can be used. Restricted *expendable* net position is resources that the Nation is legally or contractually obligated to spend in accordance with imposed restrictions. Restricted *nonexpendable* net position consists of funds in which third parties have stipulated that the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income. The income generated from the principal may be expended or added to principal. The government-wide statement of net position reports restricted net position and net position restricted by enabling legislation as follows:

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Restricted for claims and refunds	\$ 75,729,406
Restricted for future government operations	<u>2,736,569,214</u>
Total net position restricted by enabling legislation	2,812,298,620
Restricted for community and rural development	181,868,948
Restricted for economic development and loans	8,927,387
Restricted for education	82,348,599
Restricted for chapter activities	<u>58,597,111</u>
Total restricted net position	<u>\$ 3,144,040,665</u>

Unrestricted net position consists of those operating funds over which the Navajo Nation Council retains full control to use in achieving any of its authorized purposes.

In the fund financial statements, fund balances are classified depending on the relative strength of the spending constraints placed on the purposes for which resources can be used as follows:

(i) *Nonspendable Fund Balance*

This classification includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.

(ii) *Restricted Fund Balance*

This classification includes amounts constrained to specific purposes externally imposed by creditors (such as through debt covenants) grantor and contributors, or laws or regulations of other governments, or through constitutional provisions, or by enabling legislation.

(iii) *Committed Fund Balance*

This classification includes amounts that can only be used for specific purposes, pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. In the case of the Nation, it is the Navajo Nation Council.

(iv) *Assigned Fund Balance*

This classification includes amounts that are constrained by the Nation's intent to be used for specific purposes, but neither restricted nor committed.

(v) *Unassigned Fund Balance*

This classification includes amounts that are available for any purpose; these amounts can be reported only in the Nation's General Fund.

The Nation typically uses restricted fund balance first, followed by committed resources, and then assigned resources before unassigned resources.

(g) Budgetary Information

Annually, a General Fund budget is adopted on a basis consistent with the budgetary basis of accounting. Budget requests are submitted so that a budget may be prepared. The budget is presented to the Navajo Nation Council for review and a final budget must be prepared and adopted no later than

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September 30. All supplemental appropriations must also be approved by the Navajo Nation Council. The legal level of control is at the functional level. Encumbrance accounting is employed in governmental funds. Encumbrances outstanding at year-end are reported as committed fund balance.

(h) Pooled Cash and Investments, Cash and Cash Equivalents, and Investments

The Nation considers cash and cash equivalents to be currency on hand, cash held by trustee, demand deposits with banks, short-term investments with an original maturity of three months or less at time of acquisition, and all amounts included in pooled cash accounts.

A pooled cash concept is used in maintaining certain cash accounts in the Nation's accounting records. Under this concept, cash is pooled for investment purposes in the General Fund and each fund has equity in the pooled amount. The Nation's pooled cash concept means bank accounts are not maintained for each of the individual funds.

Investment securities are reported at fair value. The Nation utilizes established quoted market prices and model indexes for determining the fair value of its equity and corporate debt securities, respectively. The Nation also holds various alternative investments in real estate, which are reported at the net asset value (NAV). The Nation utilizes the market values as reported by its fund managers. The net increase (decrease) in fair value of investments is reported as general revenue in the government-wide statements and as nonoperating revenue in the proprietary fund financial statements.

(i) Capital Assets

Capital assets, that include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and the proprietary fund financial statements. Such assets are valued at historical cost, if purchased, or fair market value on the date donated, when acquired by gift. Major outlays for capital assets and improvements are capitalized as projects are constructed within the government-wide and proprietary fund financial statements.

No monetary values have been assigned to the interest of the Nation in ancestral lands, irrigation projects, mineral deposits, and a substantial portion of the cost of water wells located on reservation lands, buildings, utility systems, or other improvements, which have been provided or returned by the U.S. government or others under treaty obligations or contributed prior to 1951. Items of a capital nature contributed subsequent to 1951 are capitalized at fair value at the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation of capital assets is provided by the straight-line method over their estimated useful lives. Estimated useful lives are as follows:

Buildings and improvements	20 to 40 years
Equipment	3 to 15 years
Furniture and fixtures	7 years

When fixed assets are retired from service or otherwise disposed of, a gain or loss, if any, on disposal of assets is recognized.

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(j) *Unearned revenue*

Unearned revenue primarily represents amounts received from funding agencies that have been collected in advance of the revenue recognition criteria.

(k) *Compensated Absences*

The employees of the Nation are granted annual and sick leave in varying amounts. In the event of termination, an employee is paid for accumulated annual leave. Employees are not paid for accumulated sick leave. All accumulated annual leave is accrued in the government-wide, proprietary fund, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

(l) *Long-Term Liabilities*

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

In the governmental fund financial statements, the proceeds of debt issued are reported as other financing sources. Repayment of long-term obligation principal and interest is recorded as an expenditure.

In the government-wide financial statements, bond discounts or premiums are capitalized and amortized over the term of the bonds using the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount. Bond issue costs other than prepaid insurance are reported as expenses.

(m) *Deferred Inflows of Resources - Unavailable Revenue*

Deferred inflows of resources for grant revenues are not recognized until the related revenues become available. The Nation's availability period is 365 days under the modified accrual basis of accounting.

(n) *Estimates*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(o) *Accounting Pronouncement Adopted*

In fiscal year 2020, the Nation adopted GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postpones the implementation dates of certain GASB Statements.

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(2) Pooled Cash and Investments, Cash and Cash Equivalents, and Investments

A summary of cash and investments as of September 30, 2020 is as follows:

Cash, including money market accounts	\$ 1,038,886,909
Certificates of deposit	5,520,935
Government and federal agency obligations	1,427,742,987
Municipal bonds	3,942,530
Corporate bonds	954,139,929
Corporate obligations	85,004,301
Marketable securities	2,610,146,850
Mutual funds	335,178,932
Real estate funds	385,114,601
High yield fixed income funds	<u>198,729,776</u>
Total cash and investments	\$ <u>7,044,407,750</u>

Government-wide financial statements (Exhibit A):

Pooled cash and investments	\$ 1,184,875,508
Cash and cash equivalents	144,548,701
Investments	11,733,274
Restricted pooled cash and investments	4,187,473,901
Restricted cash and cash equivalents	31,337,036
Restricted investments	60,015,024

Fiduciary funds statement of net assets (Exhibit I):

Pension trust funds:	
Cash and cash equivalents	14,701,277
Investments	1,123,215,248
Private-purpose trust funds:	
Cash and cash equivalents	58,607,920
Investments	<u>227,899,861</u>
	\$ <u>7,044,407,750</u>

(a) Investment Policy

The Nation's Investment Committee has established an investment policy to provide for the prudent management of invested funds except the Nihibeeso 401(k) Savings Plan fund for which the investments are directed by plan participants. The fundamental goal of the policy is to produce the maximum return possible while preserving the Nation's assets. Qualified investments under the investment policy include investments in domestic equity securities publicly owned and traded; fixed income securities; U.S. Treasury bills and notes and U.S. agency securities; investment in foreign debt and equity; corporate bonds generally with an S&P rating of A or better although high yield bonds that are rated less than investment grade are permitted in certain instances; certificates of deposit, provided

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such amounts are fully insured by the Federal Deposit Insurance Corporation (FDIC) or fully collateralized; repurchase agreements acquired under an Investment Committee approved master agreement; real estate; and alternative investments such as commingled funds of funds and investments in partnerships. All investments will be diversified to minimize risk.

Investments in natural resource properties, commodities, floating rate securities, equity securities not traded on a national exchange, short sales, warrants, and margin transactions are prohibited. In addition, investments in companies that are involved in litigation or major contractual disputes with the Nation are prohibited.

(b) Custodial Credit Risk

In the case of deposits, the custodial credit risk is the risk that in the event of a depository institution failure, the Nation's deposits may not be recovered. The Nation does not have formal deposit policies that limit its exposure to custodial credit risk. At September 30, 2020, the Nation's bank balances was \$28,702,900. The balance in excess of FDIC coverage of \$447,557 was uninsured and uncollateralized in the amount of \$5,817,710.

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the Nation will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Nation does not have specific policies regarding investment custodial credit risk. As of September 30, 2020, the Nation is not exposed to investment custodial credit risk as all of the Nation's investments are held in the Nation's name.

(c) Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the Nation. The Nation's investment policy states that it will minimize credit risk by the following:

- Limiting investments to the low-risk types of securities
- Performing proper due diligence of investment managers
- Diversifying the investment portfolio so that potential losses on individual securities will be minimized

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The following table provides information on the credit ratings associated with the Nation's investment in debt securities including pro rata share of mutual fund fixed income as of September 30, 2020:

Rating	Government and federal agency obligations	Municipal bonds	Corporate bonds	Corporate obligations	High-Yield Fixed Income Funds	Total
AAA	\$ 549,157	—	177,442,704	48,179,939	15,074,915	241,246,715
AA	8,635,564	892,128	20,466,453	9,390,651	315,754	39,700,550
A	940,639	2,498,676	256,612,832	5,195,771	8,203,355	273,451,273
BBB	1,709,504	551,726	458,576,962	3,498,696	7,512,447	471,849,335
BB	—	—	23,771,815	423,317	—	24,195,132
B	—	—	3,062,116	279,450	167,623,305	170,964,871
CCC	—	—	844,690	727,891	—	1,572,581
D	—	—	—	360,630	—	360,630
Not rated	—	—	13,362,357	16,947,956	—	30,310,313
U.S. government guaranteed	1,415,908,123	—	—	—	—	1,415,908,123
	<u>\$ 1,427,742,987</u>	<u>3,942,530</u>	<u>954,139,929</u>	<u>85,004,301</u>	<u>198,729,776</u>	<u>2,669,559,523</u>

(d) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Nation's investment policy states that it will minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations. Operating funds will be invested primarily in short-term securities, money market mutual funds, or similar investment pools.

As of September 30, 2020, the Nation had the following investments and maturities:

Investment type	Fair value	Investment maturities			
		Less than 1 year	1–5 years	6–10 years	10 years +
Certificates of deposit	\$ 5,520,935	5,520,935	—	—	—
Government and federal agency obligations	1,427,742,987	850,677,974	106,027,562	83,827,635	387,209,816
Municipal bonds	3,942,530	—	813,395	—	3,129,135
Corporate bonds	954,139,929	364,065,304	293,631,567	150,549,900	145,893,158
Corporate obligations	85,004,301	123	26,153,755	2,984,568	55,865,855
High yield fixed income funds	198,729,776	9,547,655	21,449,397	167,732,724	—
	<u>\$ 2,675,080,458</u>	<u>1,229,811,991</u>	<u>448,075,676</u>	<u>405,094,827</u>	<u>592,097,964</u>

(e) Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of the Nation's investment in a single type of security. The Nation's investment policy prohibits ownership more than 2.5% of the outstanding common shares of any corporation. Except for the above limitation, the Nation does not have formal deposit and investment policies that limit its exposure to concentrations of credit risk.

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The Nation does not have any investments that represent greater than 5% of total investments except for investments issued or explicitly guaranteed by the U.S. government and mutual funds.

(f) Foreign Currency Risk

The Nation's exposure to foreign currency risk derives from its positions in foreign currency denominated investments. The Nation's investment policy permits it to invest in foreign currency denominated investments, provided that the countries are in developed markets and the countries must be represented on the Europe, Australasia, and Far East Asia (EAFE) index. The Nation's exposure to foreign currency risk is as follows:

Country	Currency	Corporate bonds	Municipal bonds and corporate obligations	Government and federal agency obligations	Marketable securities	Total
Australia	Dollar \$	675,771	—	—	1,931,882	2,607,653
Brazil	Real	376,802	—	—	—	376,802
Canada	Dollar	20,400,478	773,912	143,283	26,287,963	47,605,636
Cayman Islands	Dollar	—	—	100,862	167,466,991	167,567,853
Chile	Peso	74,000	—	—	—	74,000
China	Yuan	1,058,360	—	—	9,960,042	11,018,402
China	HK Dollar	—	—	—	3,974,586	3,974,586
Colombia	Peso	152,627	—	—	1,771	154,398
Denmark	Krone	—	—	—	840,427	840,427
Dominican Republic	Peso	357,377	—	—	—	357,377
EAFE	NA	—	—	—	35,226,334	35,226,334
Europe	Euro	17,017,331	—	—	25,248,753	42,266,084
Germany	Krone	—	—	549,157	—	549,157
India	Rupee	606,119	—	—	942,590	1,548,709
Indonesia	Rupiah	—	—	510,075	—	510,075
Israel	Shekel	1,314,790	—	1,622,219	1,290,264	4,227,273
Jamaica	Dollar	13,559	—	—	—	13,559
Japan	Yen	6,594,428	—	—	—	6,594,428
Kuwait	Ringgit	215,543	—	—	—	215,543
Mexico	Peso	2,002,612	—	491,669	—	2,494,281
Multi-National Agencies						
Region	NA	—	—	—	337,816,271	337,816,271
Netherlands	Guilder	3,506,732	—	—	1,518,898	5,025,630
Norway	Krone	2,828,021	—	—	—	2,828,021
Panama	Balboa	—	—	331,691	—	331,691
Peru	Inti	303,658	—	160,500	—	464,158
Philippines	Peso	—	—	215,569	—	215,569
Qatar	Rial	—	—	215,081	—	215,081
Republic of Korea	Won	613,516	—	—	—	613,516
Saudi Arabia	Riyal	—	—	213,600	—	213,600
Singapore	Dollar	611,935	—	—	—	611,935
Switzerland	Franc	447,987	—	—	9,650,063	10,098,050
Thailand	Baht	206,464	—	—	—	206,464
United Kingdom	Pound	28,698,802	—	—	28,498,414	57,197,216
		<u>\$ 88,076,912</u>	<u>773,912</u>	<u>4,553,706</u>	<u>650,655,249</u>	<u>744,059,779</u>

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(g) Pledged Securities

As of September 30, 2020, the Nation held and pledged a \$5,520,935 certificate of deposit as security for debt of the Navajo Nation Hospitality Enterprise, a related party.

(h) Fair Value Measurement

The Nation categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

- *Level 1* inputs are quoted prices (unadjusted) for identical assets in active markets, accessible at the measurement date. Level 1 inputs include exchange markets, dealer markets, brokered markets, and principal-to-principal markets.
- *Level 2* inputs are inputs – other than quoted prices included within Level 1 – that are observable for an asset, either directly or indirectly. Level 2 inputs include quoted prices for similar assets in active markets and quoted prices for identical or similar assets in markets that are not active.
- *Level 3* inputs are unobservable inputs for an asset.

Investments that do not have a readily determinable fair value are recorded using net asset value (NAV). NAV is generally provided by the investment managers, but the Nation considers the reasonableness of the NAV, based on market information, to arrive at the fair value estimates for each investment.

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The Nation has the following recurring fair value measurements as of September 30, 2020:

		Fair value measurement using		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant Unobservable inputs (Level 3)
	Fair value			
Investments held by the Nation:				
Certificates of deposit	\$ 5,520,935	5,520,935	—	—
Governmental and federal agency obligations	1,427,742,987	—	1,427,742,987	—
Municipal bonds	3,942,530	—	3,942,530	—
Corporate bonds	954,139,929	—	954,139,929	—
Corporate obligations	85,004,301	—	85,004,301	—
Mutual funds	335,178,932	335,178,932	—	—
Marketable securities	2,610,146,850	2,610,146,850	—	—
Total investments held by the Nation	\$ 5,421,676,464	2,950,846,717	2,470,829,747	—
	Fair Value	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period
Investments measured at the NAV:				
Real estate funds (1)	\$ 385,114,601	—	45 to 90 days	Quarterly
High yield fixed income funds (2)	198,729,776	21,750,000	30 days	Monthly
Total investments measured at the NAV	583,844,377	\$ 21,750,000		
Total investments held	\$ 6,005,520,841			

- (1) *Real estate funds*. This type includes three real estate funds that invest primarily in U.S. commercial real estate. The fair values of the investments in this type have been determined using the NAV per share of the partner's capital. Distributions from each fund will be received as the underlying investments of the funds are liquidated.
- (2) *High yield fixed income funds*. This type includes one investment in fixed income funds that invest in high yield corporate, governmental obligations and secured credit swaps/loans. The fair values of the investments in this type have been determined using the NAV per share of the partner's capital. Distributions from each fund will be received as the underlying investments of the funds are liquidated.

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(3) Accounts and Notes Receivable

The notes and accounts receivable in the governmental activities and fiduciary funds comprise the following as of September 30, 2020:

	Governmental activities		Fiduciary funds	Total
	Restricted	Unrestricted		
Notes receivable:				
Permanent Fund	\$ 136,480,582	—	—	136,480,582
Chapter Government Nation				
Building Fund	7,484,116	—	—	7,484,116
Land Acquisition Fund	—	34,166,981	—	34,166,981
Scholarship Funds	4,706,376	—	—	4,706,376
Navajo Rehabilitation Trust Fund	3,035,545	—	—	3,035,545
Handicapped Services Fund	—	—	1,136,866	1,136,866
Senior Citizen Services Fund	—	—	975,785	975,785
Vocational Education Fund	—	—	1,135,866	1,135,866
Veterans' Trust Fund	—	—	4,849,095	4,849,095
NNGE note receivable	151,706,619	34,166,981	8,097,612	193,971,212
Sihasin Fund - NNGE and NTUA				
notes receivable	—	55,895,972	—	55,895,972
Receivable from Grantors:				
Grant Fund	35,550,068	—	—	35,550,068
Accounts receivable:				
General Fund	—	14,960,210	—	14,960,210
Grant Fund	129,977	—	—	129,977
Chapter Government Nation				
Building Fund	7,790	—	—	7,790
Group Health Self-Insurance Fund	41,702	—	—	41,702
Property and Casualty Self-Insurance Fund	22,912	—	—	22,912
Workers' Compensation Self-Insurance Fund	77,285	—	—	77,285
Fleet Management Fund	—	55,705	—	55,705
	<u>\$ 187,536,353</u>	<u>105,078,868</u>	<u>8,097,612</u>	<u>300,712,833</u>

(a) Governmental Accounts Receivable

Accounts receivable from grantors represent the majority of the governmental activities restricted accounts receivable balance at September 30, 2020.

(b) Notes Receivable with Navajo Nation Gaming Enterprise

Notes receivable in the governmental funds and private-purpose trust funds primarily represent loans to the NNGE, a related party, to fund construction of casinos.

On April 3, 2012, the existing separate notes receivables were consolidated, along with the extension of additional credit in the form of a construction draw down loan for the Twin Arrows Casino, near Flagstaff, Arizona. The total amount available for the consolidation and the construction drawn down

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loan is \$200,000,000. The note required interest-only payments from the closing date (April 3, 2012) to June 30, 2013. Thereafter, the loan requires interest and principal payments based on a 15-year amortization schedule with the remaining principal balance due at maturity (March 31, 2020).

In connection with the consolidated agreements above, the Nation has entered into an arrangement with NNGE whereby NNGE has granted a security interest in its cash balances to the Nation. The cash balances subject to this security agreement are not considered to be an asset of the Nation and have not been recorded on the Nation's financial statements.

NNGE reported to the Nation in the fall of 2013 that it would be unable to make debt service payments scheduled for December 31, 2013 and April 30, 2014. Consequently, a forbearance agreement was executed on December 11, 2013, whereby the Nation agreed to forbear enforcement of remedies through April 30, 2014. The forbearance agreement suspended quarterly principal payments during the forbearance period and reduced the base interest rate to 9%, payable from excess cash flow after paying all operating expenses. There was also additional interest due at a rate of 4% after NNGE made debt service payments on subordinate debt. Any interest that was not paid on a current basis was accrued as a liability of NNGE.

The forbearance agreement was amended on April 29, 2014, August 31, 2014, and December 31, 2014, to extend the forbearance through August 31, 2014, December 31, 2014, and March 31, 2015, respectively. On January 9, 2015, NNGE and the Nation agreed to a three-year extension of the forbearance agreement to December 31, 2017. Also, on January 9, 2015, the accrued but unpaid interest was added to the principal balance of the Loan. During the period beginning January 9, 2015 through the 24-month period commencing on the effective date, the outstanding balance will carry an interest rate of 8% per annum. For the 12-month period commencing at the beginning of the third year following the effective date, the outstanding balance will carry an interest rate of 8% per annum plus a contingent interest of 1% payable from available cash flow. Commencing on July 1, 2016, principal payments are due based on a 30-year amortization schedule. On January 1, 2018, the repayment terms of the Consolidated Note revert to the terms in the 2012 Credit Agreement if the forbearance agreement is not extended or the 2012 Consolidated Note is not refinanced. The 2012 Consolidated Note requires interest to be paid at a rate of between 10% to 13% based on the leverage ratio of NNGE; principal payments based on a 15-year amortization schedule; and had a maturity date of March 31, 2020. The loan was refinanced on December 1, 2017.

On December 1, 2017, the Nation amended and restated the loan agreement with NNGE for an amount up to the outstanding principal amount but not to exceed \$208,759,393. The maturity of the note is 15 years after the effective date of December 1, 2017 with an option to renew for an additional 15 years. The interest rate of the loan will be a fixed rate of the 10-year gross annual average return of the Nation's investment portfolio (Master Trust) to be reset every ten years. The interest will be payable quarterly beginning December 1, 2017. Debt service will be based on a 30-year amortization schedule, commencing January 15, 2018. As of September 30, 2020, the principal balance is \$190,935,667.

In 2010, the Navajo Hopi Land Commission entered into an agreement with NNGE to fund the purchase of the land, which the Twin Arrows Casino project sits on for \$3,715,777 funded by the Navajo Nation Rehabilitation Trust Fund. Subsequently, the land was brought into Trust and ownership was transferred to the Navajo Nation. On January 9, 2015, the Navajo Hopi Land Commission agreed to reset the amortization of the note. The note has a 30-year amortization with a 10% interest rate. The outstanding principal balance at September 30, 2020 is \$3,035,545.

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NNGE reported to the Nation in May 2020 that it would be unable to make a debt service payment scheduled for June 30, 2020 until such time as NNGE and the Nation are able to quantify available funding sources to cover operating expenses. The Nation modified the loan agreement with NNGE to suspend and defer debt service payments until December 31, 2020 and agreed to allow the gaming distribution set-aside to be used to fund the debt service payment due June 30, 2020. In July 2020, NNGE requested permission to use the annual gaming distribution set-aside payment for operations. Consequently, a limited forbearance agreement will be executed, whereby the Nation will agree to forbear enforcement remedies through 2020 or the early part of 2021.

(c) Notes Receivable in the Sihasin Fund- NNGE and NTUA

The notes receivable in the Sihasin Fund represents a loan to NNGE for the planning, development, and construction of the Twin Arrows Travel Center. The term of the note is 15 years at an interest rate of 1.5%. Repayment of the note will commence upon completion of the travel center. As of September 30, 2020, the balance is \$4,000,000.

The notes receivable in the Sihasin Fund also represents a loan to NTUA for the construction of utility infrastructure that was funded during fiscal years 2017 to 2019. The note receivable agreement states funding will be provided by the end of the fiscal year of the lender (September 30). Due to multiple states of emergencies and the closure of government offices, the Nation did not remit the remaining tranche of \$12,050,000 during fiscal year 2020. This payment will be made during the fiscal year 2021. Payments from May 2, 2019 through May 1, 2020 are interest only at 2.37%. Payments from May 2, 2020 to September 30, 2020 were interest only at 0.17%. As of September 30, 2020, the note balance is \$51,895,972.

(d) Notes Receivable in Business-Type Activity Funds

Notes receivable for business-type activities consist of the following as of September 30, 2020:

	Principal balance	Allowance for doubtful accounts	Total	Portion due within one year
Business industrial development fund				
Big business loans	\$ 1,946,188	(1,946,188)	—	—
Small business loans	2,469,218	(2,452,289)	16,929	2,790
Micro loan program	140,773	(140,549)	224	264
	4,556,179	(4,539,026)	17,153	3,054
Loan funds:				
Home loans	5,081,198	(1,128,402)	3,952,796	852,262
Personal loans	401,677	(175,299)	226,378	226,378
Veterans' loans	537,213	(477,627)	59,586	59,586
	6,020,088	(1,781,328)	4,238,760	1,138,226
Business-type activities, notes receivable, net	\$ 10,576,267	(6,320,354)	4,255,913	1,141,280

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(4) Capital Assets

A summary of changes in capital assets for the year ended September 30, 2020 is as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending balance</u>
Governmental activities:					
Capital assets not being depreciated:					
Purchased land	\$ 122,148,799	—	—	—	122,148,799
Construction in progress	<u>57,670,861</u>	<u>48,506,172</u>	<u>—</u>	<u>(44,910,872)</u>	<u>61,266,161</u>
Total capital assets not being depreciated	<u>179,819,660</u>	<u>48,506,172</u>	<u>—</u>	<u>(44,910,872)</u>	<u>183,414,960</u>
Capital assets being depreciated:					
Building and improvements	526,960,399	1,998,490	—	44,910,872	573,869,761
Equipment	93,215,069	6,252,194	(88,123)	—	99,379,140
Furniture and fixtures	7,201,937	23,741	—	—	7,225,678
Vehicles	<u>128,466,480</u>	<u>12,847,185</u>	<u>(192,149)</u>	<u>—</u>	<u>141,121,516</u>
Total capital assets being depreciated	<u>755,843,885</u>	<u>21,121,610</u>	<u>(280,272)</u>	<u>44,910,872</u>	<u>821,596,095</u>
Less accumulated depreciation:					
Building and improvements	136,603,127	14,941,886	—	—	151,545,013
Equipment	75,035,969	4,438,661	(88,123)	—	79,386,507
Furniture and fixtures	6,247,554	782,274	—	—	7,029,828
Vehicles	<u>105,907,745</u>	<u>7,552,760</u>	<u>(179,442)</u>	<u>—</u>	<u>113,281,063</u>
Total accumulated depreciation	<u>323,794,395</u>	<u>27,715,581</u>	<u>(267,565)</u>	<u>—</u>	<u>351,242,411</u>
Depreciable capital assets, net	<u>432,049,490</u>	<u>(6,593,971)</u>	<u>(12,707)</u>	<u>44,910,872</u>	<u>470,353,684</u>
Governmental activities, capital assets, net	<u>\$ 611,869,150</u>	<u>41,912,201</u>	<u>(12,707)</u>	<u>—</u>	<u>653,768,644</u>

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	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending balance</u>
Business-type activities:					
Capital assets not being depreciated:					
Construction in progress	\$ 5,171,071	799,220	—	(5,856,620)	113,671
Land and land development costs	739,419	—	—	221,543	960,962
Total capital assets not being depreciated	5,910,490	799,220	—	(5,635,077)	1,074,633
Capital assets being depreciated:					
Buildings and improvements	27,731,967	590,461		5,635,077	33,957,505
Equipment	2,072,837	11,550	(5,281)	—	2,079,106
Total depreciable capital assets	29,804,804	602,011	(5,281)	5,635,077	36,036,611
Less accumulated depreciation for:					
Buildings	10,384,161	588,953	(5,281)	—	10,967,833
Equipment (and Vehicles)	1,510,663	46,709	—	—	1,557,372
Total accumulated depreciation	11,894,824	635,662	(5,281)	—	12,525,205
Depreciable capital assets, net	17,909,980	(33,651)	—	5,635,077	23,511,406
Business-type activities, capital assets, net	\$ 23,820,470	765,569	—	—	24,586,039

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Depreciation expense was charged to functions as follows:

Governmental activities		
General Government	\$	4,021,175
Economic development and planning		1,043,407
Community and rural development		2,685,990
Education and training		1,258,573
Natural resources		1,353,992
Public safety		6,874,689
Health and welfare		2,554,901
Culture and recreation		219,998
Transportation		3,983,441
Internal service funds		3,719,415
Total governmental activities depreciation expense	\$	<u>27,715,581</u>
Business-type activities:		
Business and Industrial Development Fund		479,747
Parks and Recreation		101,380
Fish and Wildlife		15,930
Livestock Custody Fund		32,899
Colorado Ranch Fund		1,100
Tribal Ranch Fund		4,606
Total business-type activities depreciation expense	\$	<u>635,662</u>

(5) Interfund Activity

At September 30, 2020, the following funds have deficit net positions, as follows:

<u>Fund</u>	<u>Cash and cash equivalents</u>	<u>Net position</u>
Fourth of July Celebration Fund	\$ (38,768)	(63,519)
Air Transportation Fund	(3,113,089)	(2,970,094)

To the extent that operations of these funds are not sufficient to cover the deficits, the General Fund or other funds will be required to provide financial support.

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Interfund transfers are summarized as follows:

	Transfers from				
	General Fund	Permanent Fund	NTUA-Key Bank Loan (Debt Service) Fund	Group Health Self-Insurance Fund	Total
Transfers to:					
Water Rights Fund	(2,000,000)	—	—	—	(2,000,000)
Capital Outlay Match Fund	(2,000,000)	—	—	—	(2,000,000)
Fish and Wildlife	(649,074)	—	—	—	(649,074)
Air Transportation Fund	(148,039)	—	—	—	(148,039)
NTUA-Replacement and Emergency Fund	(444,008)	—	—	—	(444,008)
Contingency Management Fund	(1,012,299)	—	—	—	(1,012,299)
General Fund	—	10,958,583	8,114	6,500,000	17,466,697
Total	\$ (6,253,420)	10,958,583	8,114	6,500,000	11,213,277

(6) Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities as of September 30, 2020 are as follows:

	Vendors	Salaries and benefits	Construction contract payables	Other	Total
Governmental activities:					
General Fund	\$ 12,715,336	10,167,276	552,796	3,914,147	27,349,555
Grant Fund	32,049,539	7,734,716	4,476,068	—	44,260,323
Permanent Fund	1,581,823	21,056	50,678	—	1,653,557
Aggregate Nonmajor funds	1,480,132	851,457	111,820	171,799	2,615,208
Internal service funds	1,721,996	224,239	—	104,809	2,051,044
Total governmental activities	\$ 49,548,826	18,998,744	5,191,362	4,190,755	77,929,687
Business-type activities:					
Enterprise funds	\$ 524,868	241,214	63,385	732,123	1,561,590

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(7) Unearned Revenue

At September 30, 2020, unearned revenue consisted of the following:

Governmental activities:					
	Grant Fund	General Fund	Permanent Fund	Group Health Self-Insurance Fund	Total
Unearned revenue:					
Corporation for National and Community Service	\$ 46,418	—	—	—	46,418
U.S. Department of Education	55,612,122	—	—	—	55,612,122
U.S. Department of Energy	17,296	—	—	—	17,296
U.S. Department of Health and Human Service	136,446,366	—	—	—	136,446,366
U.S. Department of Homeland Security	258,544	—	—	—	258,544
U.S. Department of Housing and Urban Development	94,025	—	—	—	94,025
U.S. Department of Justice	173,590	—	—	—	173,590
U.S. Department of Labor	197,643	—	—	—	197,643
U.S. Department of the Interior	134,110,589	—	—	—	134,110,589
U.S. Department of Transportation	208,581,326	—	—	—	208,581,326
U.S. Department of Treasury	623,296,145	—	—	—	623,296,145
Environmental Protection Agency	2,705	—	—	—	2,705
U.S. Department of Agriculture	1,590,337	—	—	—	1,590,337
Other non-federal	23,930,979	3,580,690	58,293	5,467,519	33,037,481
Total governmental activities	\$ 1,184,358,085	3,580,690	58,293	5,467,519	1,193,464,587

(8) Long-Term Liabilities

On December 30, 2014, the Nation drew down \$6,300,000 on its unsecured general obligation credit facility with a bank. The note carries a tax-exempt fixed rate of 2.432% and a taxable fixed rate of 3.683%. The loan requires monthly payments, which total \$81,895. The final payment is due January 1, 2022. The note payable is recorded in the governmental activities section of the government-wide financial statements:

Note payable to bank – 3.683% and 2.432% (FMIS)	1,279,485
Total payable	\$ 1,279,485

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Maturities of the note, which require future annual appropriation, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
FMIS:			
2021	961,321	21,423	982,744
2022	318,164	1,716	319,880
	<u>\$ 1,279,485</u>	<u>23,139</u>	<u>1,302,624</u>

On November 17, 2015, the Nation issued \$52,900,000 of general obligation bonds under Securities and Exchange Commission (SEC) Rule 144A. The bonds payable were issued to refinance a general obligation loan. The bonds payable carry tax-exempt coupon rates of 2.9% to 5.5%. The bonds require semiannual debt service payments beginning on November 2016. The bonds mature on December 1, 2020 to December 1, 2030.

<u>Description of issue</u>	<u>Bonds issued</u>	<u>Outstanding balance</u>	<u>Range of interest</u>	<u>Scheduled maturities</u>		<u>First call</u>
				<u>First year</u>	<u>Last year</u>	
General Obligation 2016 Series A	\$ 52,900,000	41,720,000	2.9%–5.5%	2020	2030	2016

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
General Obligation Series A – 144A			
2021	3,025,000	2,023,863	5,048,863
2022	3,110,000	1,980,000	5,090,000
2023	3,235,000	1,855,600	5,090,600
2024	3,365,000	1,726,200	5,091,200
2025-2029	19,585,000	5,871,752	25,456,752
2030–2031	9,400,000	782,376	10,182,376
	<u>\$ 41,720,000</u>	<u>14,239,791</u>	<u>55,959,791</u>

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Changes in long-term liabilities for the year ended September 30, 2020 were as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Governmental activities:					
Notes payable	\$ 2,216,874	—	937,389	1,279,485	961,321
Bonds payable	44,660,000	—	2,940,000	41,720,000	3,025,000
Bond premium	1,652,620	—	223,710	1,428,910	223,710
Compensated absences	15,202,535	14,392,071	10,618,925	18,975,681	10,618,925
Net pension liability	130,103,889	16,142,582	57,174,881	89,071,590	—
Claims and judgments	10,591,418	33,225,906	31,914,196	11,903,128	8,223,271
Governmental activities long-term liabilities	<u>\$ 204,427,336</u>	<u>63,760,559</u>	<u>103,809,101</u>	<u>164,378,794</u>	<u>23,052,227</u>
	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Business-type activities:					
Compensated absences	\$ 243,747	242,043	153,278	332,512	332,512
Net pension liability	2,603,205	613,129	2,171,622	1,044,712	—
Business-type activities long-term liabilities	<u>\$ 2,846,952</u>	<u>855,172</u>	<u>2,324,900</u>	<u>1,377,224</u>	<u>332,512</u>

There were no long-term liabilities recorded in the General Fund, Grant Fund, Permanent Fund or the other governmental funds. The notes payable, bonds payable, and net pension liability in governmental activities will be funded through the General Fund. Compensated absences and claims and judgments in governmental activities will be funded through the General Fund and Internal Service Funds.

(9) Retirement Plans

The Nation has implemented GASB Statement No. 68, *Accounting and Reporting for Pensions* (GASB Statement No. 68), which requires that employers report a net pension liability (NPL) and related pension expense as determined by the plan under the requirements contained in GASB Statement No. 67.

The Nation has implemented GASB Statement No. 67, which specified the required approach to measuring the pension liability and required plans to calculate a NPL to be measured as the total pension liability less the amount of the pension plan's fiduciary net position.

GASB Statement 68 does not affect the way that a government may choose to fund their pension obligations. While GASB Statement No. 68 changes the amount of the pension liability that is reported on the financial statements, governments may continue to fund their plan by calculating an actuarially determined contribution and measuring their funded status as it relates to that actuarially determined contribution. GASB Statement No. 68 requires certain disclosures if an actuarially determined contribution

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has been calculated. The disclosures, which include schedules presenting the actuarially determined contribution, the amount of those contributions recognized by the plan, the difference between the two amounts, the amount of covered-employee payroll, and the contributions as a percentage of covered-employee payroll are included as Required Supplementary Information and Notes to Required Supplementary Information.

In order to provide the necessary disclosures that are required under the various GASB Statements, the disclosures below are separated into the following two sections:

- The first section offers a description of the plan.
- The second section provides information regarding the pension plans that are required by GASB Statement Nos. 67 and 68 – changes in net pension liability, balances of deferred pension outflows of resources and deferred pension inflows of resources (including prospective schedules of amortization of the deferred outflows and inflows), and the calculation of pension expense for the year.

1. Disclosure about the Defined-Benefit Retirement Plan

This section provides the disclosures about the defined-benefit retirement plan required by GASB Statement No. 67, including the plan description, benefits, and membership at September 30, 2020.

Plan Description

The Nation has established an agent, single-employer defined-benefit retirement plan (the Plan) for all employees of the Nation. All full-time, permanent employees over the age of 21 are eligible to participate in the Plan. Benefits vest after four years of service. Tribal participants who retire at or after the age of 60 (55 for Law Enforcement) with four years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2% of the average monthly salary for each month of their credited service. The Plan also provides death and disability benefits.

The Nation is the fiduciary for the Plan's assets. All assets of the Plan, including those contributed by the tribal entities, are reported in the Retirement Fund in the accompanying financial statements. The Plan document delegates the authority to establish and amend benefit provisions to the Navajo Nation Budget and Finance Committee upon recommendation of the Navajo Nation Retirement Committee. Separate stand-alone financial statements are not issued for the Plan.

At September 30, 2020, the Nation reported the following membership in the Plan:

		<u>Total</u>
Retired participants	\$	4,365
Terminated vested participants		4,751
Active participants		<u>4,150</u>
Total covered employees	\$	<u><u>13,266</u></u>

The Plan's funding policy provides for actuarially determined periodic contributions at rates that, for individual employees, increase gradually over time so that sufficient assets will be available to pay benefits when due. The contribution rate for the Plan's employee group as a whole has tended to

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remain level as a percentage of annual covered payroll. The Plan is entirely employer funded. For the year ended September 30, 2020, the required contribution rate approximated 20.2% of covered payroll.

2. Employer and Defined-Benefit Plan Reporting of Pension Liabilities, Pension Expenses, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pension Plans as required by GASB Statement Nos. 67 and 68

This section includes the information that is required to be reported by employers per GASB Statement No. 68. It reports information regarding the calculation of the Nation's net pension liability, including changes during the measurement period in both total pension liability and net position; balances in the various components of deferred pension outflows of resources and deferred pension inflows of resources and the amounts to be recognized in pension expense in future periods; and the calculation of pension expense.

This section also includes the information that is required to be presented by GASB Statement No. 67, reporting on the financial statements for the defined-benefit plans for the year ended September 30, 2020. Separate valuations were performed by the Nation's actuary to calculate the total pension liability in accordance with this standard for financial reporting by the pension plan and calculates the net pension liability. The plan elected to base the valuations on plan data as of October 1, 2019 and used update procedures to roll forward the total pension liability to the pension plan's fiscal year-end of September 30, 2020. In addition to presenting the NPL, this section also includes information on the actuarial assumptions used in the valuation, the discount rate that was used to calculate the NPL, and disclosures as to the sensitivity of the NPL to changes in the discount rate.

(a) Reporting Date, Measurement Date, and Valuation Date

Net pension liability, deferred pension outflows of resources, deferred pension inflows of resources, and pension expense are all presented as of the Nation's reporting date (September 30, 2020) and for the Nation's reporting period (the fiscal year ended September 30, 2020). These amounts are measured as of the measurement date and for the measurement period (the period between the prior and current measurement dates). GASB Statement No. 68 requires that the current measurement date be no earlier than the end of the employer's prior fiscal year. For the reporting date as of September 30, 2020, the Nation has chosen to use the end of the current fiscal year-end as the measurement date, and the fiscal year ended September 30, 2020 as the measurement period.

The total pension liability is determined by an actuarial valuation performed as of the measurement date or using update procedures to roll forward to the measurement date amounts from an actuarial valuation as of a date no more than 30 months and one day earlier than the employer's most recent fiscal year-end. The Nation has elected to apply update procedures to roll forward amounts from an actuarial valuation performed as of October 1, 2019, to the measurement date of September 30, 2020.

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(b) Net Pension Liability

The net pension liability is measured as the portion of the actuarial present value of projected benefit payments that is attributable to past periods of employee service, net of the pension plan's fiduciary net position. The changes in the components for the measurement period are as follows:

	Increase (decrease)		
	Total pension liability	Plan fiduciary net position	Net pension liability
	(a)	(b)	(a) – (b)
Balance at September 30, 2019	\$ 1,074,969,687	942,226,582	132,743,105
Changes for the year:			
Service cost	14,377,848	—	14,377,848
Interest	66,970,357	—	66,970,357
Differences between expected and actual experience	8,447,642	—	8,447,642
Contributions – employer	—	36,293,237	(36,293,237)
Investment income (loss) net of investment expense	—	90,837,034	(90,837,034)
Benefit payments, including refunds of employee contributions	(45,680,099)	(45,680,099)	—
Administrative expenses	—	(793,383)	793,383
Changes of benefit terms	(6,072,008)	—	(6,072,008)
Net changes	<u>38,043,740</u>	<u>80,656,789</u>	<u>(42,613,049)</u>
Balance at September 30, 2020	\$ <u>1,113,013,427</u>	<u>1,022,883,371</u>	<u>90,130,056</u>

Additional information regarding the changes in the net pension liability for the year ended September 30, 2020 can be found in the Required Supplementary Information immediately following these notes to the financial statements.

(c) Deferred Pension Outflows of Resources and Deferred Pension Inflows of Resources

Most changes in the net pension liability are included in pension expense during the year of change. Changes resulting from current period service cost, interest on the total pension liability, and changes in benefit terms are required to be included in pension expense immediately. Similarly, projected earnings on the pension plan's investments are also required to be included in the determination of pension expense immediately.

The effects of certain other changes in the net position liability are required to be included in pension expense over the current and future periods, depending on the nature of the change.

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The effect of the net pension liability of differences between the projected earnings on pension plan investments and actual experience with regard to those earnings is required to be included in pension expense in a systematic and rational manner over a closed period of five years, beginning with the current period. Changes in the net pension liability not included in pension expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to pensions. This treatment arises from the concept that these changes result from use of estimates, where probabilities of events range from zero to 100%, while actual events either occur or do not occur. Therefore, differences between some estimates and actual experience will occur with every measurement that incorporates future events.

The effects on the total pension liability of (1) changes of economic and demographic assumptions or of other inputs and (2) differences between expected and actual experience are required to be included in pension expense in a systematic and rational manner over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees), beginning with the current period. Changes in the net pension liability not included in pension expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to pensions. This treatment arises from the concept that pensions arise from an exchange between employer and employee of salaries and benefits for employee service each period and that these transactions and related pension measurements are viewed in the context of ongoing, career-long employment relationships.

As of September 30, 2020, the Nation reported the following deferred pension outflows of resources and deferred inflows of resources:

Source	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ 4,982,653	(1,906,020)
Changes of assumptions	—	(6,068,516)
Net differences between projected and actual earnings on plan investments	—	(26,029,186)
Total	<u>\$ 4,982,653</u>	<u>(34,003,722)</u>

The deferred pension outflows of resources and deferred pension inflows of resources, as discussed above, will be recognized in pension expense as follows:

Year ending September 30	Amount
2021	\$ (19,048,359)
2022	(3,745,220)
2023	(56,441)
2024	(6,171,049)
Total	<u>\$ (29,021,069)</u>

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(d) Pension Expense

As discussed above, most changes in the net pension liability are included in pension expense in the year of change, including changes resulting from current period service cost, interest on the total pension liability, change in benefit terms, and projected earnings on the pension plan's investments. Other changes in net pension liability are recorded as deferred pension outflows of resources and deferred pension inflows of resources and included in pension expense on a systematic and rational manner over current and future periods.

Pension expense for the year ended September 30, 2020, is as follows:

Service cost	\$ 14,377,848
Interest on the total pension liability	66,970,357
Differences between expected and actual experience	(268,395)
Changes of assumptions	(8,048,430)
Projected earnings on pension plan investments	(59,981,785)
Differences between projected and actual earnings on plan investments	(19,668,086)
Pension plan administrative expense	793,383
Change in benefit terms	<u>(6,072,008)</u>
Total pension expense	\$ <u>(11,897,116)</u>

(e) Actuarial Methods and Assumptions

Methods and assumptions used to determine pension expense and total pension liability are based on a valuation date of September 30, 2020. The chart below summarizes these methods and assumptions.

Valuation date:	Actuarially determined contribution rates are calculated as of September 30, one year prior to the end of the fiscal year in which contributions are reported
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry age normal
Asset valuation method	Fair value
Actuarial assumptions:	
Salary increases	Age-graded scale 2.0%–6.0%
Investment rate of return	6.4%
Retirement age	Group-specific rates based on age ranging from 45–75, with 100% by 75 for regular employees, 100% by age 70 for commissioned law enforcement and 100% upon reaching 75% benefit accrual cap.
Mortality:	PUB-10 benefits weighted, with specific tables for females and males, adjusted for plan specific retiree experience from 2013-2017 by a factor of 1.7 for females and 1.2 for males.

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Additional information regarding changes in the net pension liability for the year ended September 30, 2020 can be found in the Other Supplementary Information (Unaudited) section immediately following these notes to the financial statements.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2020 (see the discussion of the pension plan's investment policy):

Asset class	Target allocation	Long-term expected real rate of return
Domestic equity	41.00 %	7.68 %
International equity	12.00	9.65
Fixed income	22.00	4.28
Real estate	10.00	7.00
Global tactical asset allocation	15.00	5.25

Nominal long-term expected rates of return for these asset classes are equal to the sum of the above expected long-term real rates and the expected long-term inflation rate of 2.5%.

(f) Discount Rate

The discount rate used to measure the total pension liability was 6.4%. The projection of cash flows used to determine the discount rate assumed that contributions would continue to be made at the actuarially determined contribution rates. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses for the fiscal year ended September 30, 2020 was 10.07%. A money-weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested.

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(g) Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Nation, calculated using the discount rates determined above, as well as what the Nation's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1 percentage decrease (5.4%)	Current discount rate (6.4%)	1 percentage increase (7.4%)
Nation's net pension liability	\$ 219,484,414	90,130,056	(18,056,032)

(h) Nihibeeso Retirement Savings Plan

The Nation sponsors the Nihibeeso Retirement Savings Plan, a defined-contribution 401(k) plan available to substantially all employees in which the employer matches 50% of the first 6% of salary contributed by the participant. Matching contributions become fully vested after four years of service. The employer may elect to discontinue matching contributions upon notice to participants; the employer also has the right to terminate the plan. Employer contributions were \$2,860,454 and employee contributions were \$6,916,410 for the year ended September 30, 2020.

(10) Tax Revenue

During 1978, the Code was amended by the Navajo Nation Council to provide for taxes on those owning property rights on the Navajo Reservation (possessory interest tax) or doing business on the Navajo reservation (business activity tax). The U.S. Supreme Court affirmed the legality of the taxes in *Kerr McGee Corporation vs. Navajo Tribe of Indians*, on April 16, 1985. Significant provisions of these taxes are summarized as follows:

(a) Business Activity Tax

The business activity tax is imposed on those "engaged in trade, commerce, manufacture, power production, or any other productive activity, whether for profit or not, wholly or in part within the Navajo Nation." The tax is assessed on the gross receipts from the sale of services performed and goods produced within the Nation. According to the Navajo Nation Tax Code, the tax rate shall not be less than 4% or more than 8%. The rate in effect from the initial imposition of the tax through September 30, 2020 has been 5%.

Beginning January 1, 2001, any amounts on which the Navajo sales tax has been paid may be excluded from gross receipts.

(b) Possessory Interest Tax

The possessory interest tax is imposed on owners of property rights under leases granted by the Nation, including the rights to the leased premises and underlying natural resources. The tax is assessed against the value of the possessory interest, excluding leasehold improvements. According to the Code, the annual tax rate shall not be less than 1% or more than 10%. The rate in effect from the initial imposition of the tax through September 30, 2020 has been 3%.

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(c) Fuel Excise Tax

The fuel excise tax is assessed on each gallon distributed for sale within the Nation and used for the powering of motor vehicles. These funds are to be used to meet highway funding regulations and design standards, to improve overall road systems, to improve safety, and to meet community and economic development needs. According to the Code, the annual tax shall not be less than 10 cents per gallon or more than 25 cents per gallon. The tax rates in effect at September 30, 2019 are 18 cents per gallon of gasoline and 25 cents per gallon of diesel fuel.

(d) Oil and Gas Severance Tax

Effective October 1, 1985, a tax was imposed on those who are engaged in the severance of oil and natural gas products within the Nation. The taxes are assessed on the value of the products severed. According to the Code, the annual tax rate shall not be less than 3% or more than 8%. The rate in effect from the imposition of the tax through September 30, 2020 has been 4%.

(e) Sales Tax

Effective April 1, 2002, a sales tax was imposed on “those engaged in the sale or leasing of real or personal property of any kind, the sale of services of any kind, and any other productive activity of any kind, whether for profit or not, conducted wholly or partially within the Navajo Nation.” According to the Code, the annual tax rate shall not be less than 2% or more than 6%. The rate in effect at September 30, 2020 is 6%.

A majority of registered voters of any governance-certified chapter may enact an ordinance imposing an additional tax rate in addition to the rate approved by the Navajo Tax Commission. This additional rate may be from 0.25% to 4%.

(f) Tobacco Products Tax

The tobacco products tax is assessed on all tobacco products sold within the Nation. The tax rate in effect since its inception in 1996 ranges from 5 cents to 11 cents per cigarette or cigar and ranges from 2.8 cents to 22.3 cents per ounce on other types of tobacco products.

(g) Hotel Occupancy Tax

The hotel occupancy tax is assessed on hotel room rentals within the Nation. The funds are to be used to improve tourism in the Nation. The tax rate in effect during the year ended September 30, 2020 was 8%.

(h) Junk Food Tax

Effective October 1, 2014, a junk food tax was imposed on applicable gross receipts from all minimal-to-no nutritional value food items sold. The tax will be reviewed by the Navajo Nation Council at the end of calendar year 2020 for extension. The rate from the imposition of the tax through September 30, 2020 has been 2%.

(i) Alcohol Tax

Effective October 1, 2015, a tax was imposed on any retailer or distributor of alcohol products within the Nation. The funds are to be used to improve public safety. The annual tax rate shall not be less than 2% or more than 6%. The rate in effect from the imposition of the tax through September 30, 2020 was 3.25%.

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Tax revenues for the year ended September 30, 2020 are summarized as follows:

	General Fund	Other Governmental Funds					Total
		Navajo Tourism Fund	Navajo Roads Fund	Healthy Dine Act Fund	DPS-Alcohol Tax Fund	Tax Suspense Fund	
Business activity tax	\$ 7,091,243	—	—	—	—	144,718	7,235,961
Possessory interest tax	24,581,962	—	—	—	—	501,673	25,083,635
Fuel excise tax	—	—	9,544,559	—	—	188,228	9,732,787
Oil and gas severance tax	3,538,332	—	—	—	—	72,191	3,610,523
Sales tax	50,149,322	—	—	—	—	1,264,265	51,413,587
Tobacco products tax	272,232	—	—	—	—	5,543	277,775
Hotel occupancy tax	—	896,031	—	—	—	18,187	914,218
Junk food tax	—	—	—	1,443,285	—	29,455	1,472,740
Alcohol tax	—	—	—	—	68,911	1,406	70,317
Total tax revenue	\$ 85,633,091	896,031	9,544,559	1,443,285	68,911	2,225,666	99,811,543

The Nation also records net sales tax revenue collected from retail establishments on the Navajo reservation in the Sales Tax Trust Fund. This fund reported \$11,757,180 in tax revenue for the year ended September 30, 2020.

The Tax Commission's fiscal policy provides that 2% of tax collections be held for the potential payment of refunds for overpayment of tax, if any, which is recognized as revenue in the Tax Suspense Fund in the accompanying financial statements.

(11) Commitments and Contingent Liabilities

The following are the significant financial commitments and contingent liabilities of the Nation at September 30, 2020, in addition to the items further described in notes 2, 7, 8, 12, and 13:

(a) Guarantor

The Nation has guaranteed an obligation of NTUA for a note payable to Economic Development Administration and Rural Economic and Community Development in the amount of \$120,646.

(b) Various Taxes

The liabilities of the Nation for various taxes imposed with respect to activities of the Nation off the reservation have not yet been conclusively established. Legal counsel for the Nation is unable to predict or express an opinion as to the ultimate liability, if any, of the Nation for any such taxes.

(12) Litigation

(a) General

In the normal course of operations, the Nation is a party to various claims and litigation, some of which have been referred to its insurance carriers. Included in these claims are matters involving the Hopi Tribe; damage suits against the Nation for alleged actions of its officials and employees; actions resulting in claims for compensation and/or destruction of property; and various other matters. Except for matters related to the Hopi Tribe, after consultation with outside legal counsel and the attorney general of the Nation, it is not possible to ascertain what ultimate liability, if any, the Nation may have

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as a result of the various claims. The Nation has, and will, continue to vigorously litigate these matters at both the trial and appellate court levels.

(b) Matters Related to Grants

The Nation received notification of potential cost disallowances related to several grants. Cost disallowances could result from these notifications and subsequent proceedings. Management does not believe the potential settlements will be material to the financial statements.

(c) Unasserted Claims

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. In certain instances, grantor agencies have questioned such costs, to which the Nation responded

(13) Risk Management

The Nation is exposed to various risks of loss related to torts and civil rights; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and nonemployees; and natural disasters. The Navajo Nation Risk Management Department was established to manage, control, and minimize this risk. Through Risk Management, the Nation and certain enterprises of the Nation finance their uninsured risk of loss. This activity is accounted for in the Property and Casualty Self-Insurance (Risk Management) Fund, an internal service fund, in the accompanying financial statements. Under this program, the Risk Management Pool provides coverage for up to a maximum of \$500,000 for each incident. Risk Management purchases commercial insurance for claims in excess of coverage provided by the Risk Management Pool. Claims payable amounts have been estimated based upon a review of open claims and an estimate of unreported claims.

The Nation and certain enterprises of the Nation have established a risk management plan codified under the Navajo Nation Code for workers' compensation. The activity is accounted for in the Workers' Compensation Self-Insurance Fund, an internal service fund, in the accompanying financial statements. During the year ended September 30, 2020, premiums of \$3,363,510 were paid into the fund to pay claim amounts and administrative costs. Claims payable amounts are estimated by the Nation based upon a review of open claims and an estimate of unreported claims.

The Nation and certain enterprises of the Nation have established an employee benefits program for health insurance. The activity is accounted for in the Group Health Self-Insurance Fund, an internal service fund, in the accompanying financial statements. Premiums are paid directly to a third-party administrator. The third-party administrator utilizes the premiums to pay claims and maintains excess premium payments as a reserve for future claims. An excess coverage insurance policy covers claims in excess of \$600,000. Claims payable amounts are estimated by the third-party administrator based upon a review of open claims and an estimate of unreported claims.

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The amounts and changes in the Nation's Risk Management program claims payable for the years ended September 30, 2020 and 2019 are as follows:

	<u>2020</u>
Property and Casualty Self-Insurance (Risk Management)	
Fund:	
Claims payable, beginning of year	\$ 1,802,547
Current year claims and changes in estimates	3,397,056
Claim payments	<u>(3,329,946)</u>
Claims payable, end of year	<u>\$ 1,869,657</u>
Workers' Compensation Self-Insurance Fund:	
Claims payable, beginning of year	\$ 303,614
Current year claims and changes in estimates	1,244,521
Claim payments	<u>(1,244,521)</u>
Claims payable, end of year	<u>\$ 303,614</u>
Group Health Benefit Self-Insurance Fund:	
Claims payable, beginning of year	\$ 6,000,000
Current year claims and changes in estimates	27,151,151
Claim payments	<u>(27,101,151)</u>
Claims payable, end of year	<u>\$ 6,050,000</u>

(14) Special Item

Navajo Nation Water Rights Agreement

On December 21, 2019, the Omnibus Public Land Management Act of 2009 amounts received of \$50,000,000 were recorded as revenue. The act includes funding for programs, studies, and other activities by the Department of Interior and Department of Agriculture. Title X, Part IV of the act is the Navajo Nation Water Rights Agreement (Agreement). The Agreement was executed by the Secretary of the Interior and the Nation on December 31, 2010 and instructs the United States to establish a water resources development fund specifically for the Nation. The Act instructs the Nation to investigate, construct, operate, maintain, or replace water project facilities, including facilities conveyed to the Nation and facilities owned by the United States for which the Nation is responsible for operation. The funds are restricted for purposes of the Agreement, and the Nation is required to submit to the Secretary for approval an expenditure plan for any portion of the amounts to include the manner and purpose in which the funds remaining in the trust will be used.

Wells Fargo Settlement:

On November 9, 2019, the Nation's Department of Justice settled with Wells Fargo Bank to resolve claims of targeting Navajo citizens with unlawful sales practices. The Nation received \$5.2 million as of September 30, 2020.

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San Juan County Settlement:

On November 9, 2019, the Nation's Department of Justice settled with San Juan County, Utah to resolve claims of infringement of voting rights due to the re-districting of election districts in the county. The Nation received \$1.3 million as of September 30, 2020.

(15) Subsequent Events

NNGE Note Receivable:

NNGE reported to the Nation in May 2020 that it would be unable to make a debt service payment scheduled for June 30, 2020, until such time as NNGE and the Nation are able to quantify available funding sources to cover operating expenses. The Nation modified the loan agreement with NNGE to suspend and defer debt service payments until December 31, 2020 and agreed to allow the gaming distribution set-aside to be used to fund the debt service payment due June 30, 2020. In July 2020, NNGE requested permission to use the annual gaming distribution set-aside payment for operations. NNGE made the debt service payment scheduled for June 30, 2020 in September 2020. As of July 2021, the Nation is in the process of amending the modified loan agreement to suspend and defer debt service payments to a future date.

Gold King Mine Spill:

On January 13, 2021, the Nation's Department of Justice settled with mining companies to resolve claims stemming from the 2015 Gold King Mine spill. Under the settlement, the mining companies will pay the Nation \$10 million dollars.

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Other Supplementary Information

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual – General Fund – Schedule 1

Year ended September 30, 2020

				September 30, 2020	Budget variance favorable (unfavorable)
Revenues	Original budget	Final budget	Actual (budgetary basis)	Designated fund balance carryover	
Natural resource revenue:					
Oil and gas	\$ 27,886,000	27,886,000	19,454,942	—	(8,431,058)
Mining	28,423,000	28,423,000	41,094,216	—	12,671,216
Tax revenue, net (note 10)	58,117,000	58,117,000	85,633,091	—	27,516,091
Land, buildings, business site, and right-of-way revenue	64,445,000	64,445,000	71,465,965	—	7,020,965
Interest and dividends	15,000,000	15,000,000	17,026,395	—	2,026,395
Net increase in fair value of investments	—	—	1,647,331	—	1,647,331
Pasture, rangeland, and forage insurance proceeds	—	—	30,749,423	—	30,749,423
Other revenue	19,133,000	19,133,000	29,030,175	—	9,897,175
Statutory allocation to permanent fund	(23,385,000)	(23,385,000)	(32,614,879)	—	(9,229,879)
Statutory allocation of current year revenues	(31,356,000)	(31,356,000)	(37,284,674)	—	(5,928,674)
Total revenues	158,263,000	158,263,000	226,201,985	—	67,938,985
Expenditures					
General government	94,091,812	119,000,062	48,510,280	2,813,970	67,675,812
Economic development and planning	5,945,778	6,746,182	2,904,201	—	3,841,981
Community and rural development	35,189,356	40,897,163	29,895,011	540,820	10,461,332
Education and training	21,363,654	30,032,226	14,161,882	3,058,320	12,812,024
Natural resources	22,920,387	23,903,362	35,315,604	—	(11,412,242)
Public safety	9,192,231	9,660,177	8,006,060	—	1,654,117
Health and welfare	16,938,025	23,243,521	14,112,711	1,182,100	7,948,710
Culture and recreation	992,495	1,074,518	628,533	—	445,985
Total expenditures	206,633,738	254,557,211	153,534,282	7,595,210	93,427,719
Other financing sources (uses)					
Transfers	3,428,000	3,428,000	11,213,277	—	7,785,277
Total other financing uses	3,428,000	3,428,000	11,213,277	—	7,785,277
Special item					
Navajo Nation Water Resources					
Development Trust Fund	—	—	50,000,000	—	50,000,000
Claim settlements	—	—	6,500,000	—	6,500,000
Total special items	—	—	56,500,000	—	56,500,000
Net change under budgetary basis	\$ (44,942,738)	(92,866,211)	140,380,980	(7,595,210)	38,796,543
Reconciliation of budgetary basis net change to net change from schedule 6:					
Less beginning encumbrances			\$ (13,539,600)		
Add ending encumbrances			16,350,368		
Modified accrual budget net change in fund balance			\$ 143,191,748		

See accompanying independent auditors' report.

THE NAVAJO NATION

Required Supplementary Information (Unaudited) – Pension Other Information (dollars in thousands)

Schedule of Changes in the Net Pension Liability and Related Ratios – Schedule 2

Year ended September 30, 2020

	2020	2019	2018	2017	2016	2015	2014	2013	2012
Total pension liability:									
Service cost	\$ 14,378	18,165	15,912	13,780	13,297	12,939	14,222		
Interest	66,970	66,661	64,519	63,374	60,576	57,582	54,812		
Changes of benefit terms	(6,072)	—	—	—	—	302	5,300		
Differences between expected and actual experience	8,447	(6,962)	(4,665)	2,672	1,507	4,911	—		
Changes of assumptions		(22,165)		61,633					
Benefit payments, including refunds of member contributions	(45,680)	(43,941)	(40,689)	(36,706)	(34,170)	(31,180)	(28,415)		
Net change in total pension liability	38,043	11,758	35,077	104,753	41,210	44,554	45,919		
Total pension liability – beginning	1,074,970	1,063,212	1,028,135	923,382	882,172	837,618	791,699		
Total pension liability – ending (a)	1,113,013	1,074,970	1,063,212	1,028,135	923,382	882,172	837,618		
Plan fiduciary net position:									
Contributions – employer	36,293	36,589	38,770	42,920	46,473	49,975	47,750		
Contributions – member	—	—	—	—	—	—	—		
Net investment income	90,837	28,202	80,052	98,506	72,162	(6,703)	63,712		
Benefit payments, including refunds of member contributions	(45,680)	(43,941)	(40,689)	(36,706)	(34,170)	(31,179)	(28,415)		
Administrative expense	(794)	(1,184)	(1,146)	(1,521)	(1,092)	(1,157)	(1,114)		
Other	—	0.00	—	—	—	—	—		
	80,656	19,666	76,987	103,199	83,373	10,936	81,933		
Plan fiduciary net position – beginning	942,227	922,561	845,574	742,375	659,002	648,066	566,133		
Plan fiduciary net position – ending (b)	1,022,883	942,227	922,561	845,574	742,375	659,002	648,066		
Nation's net pension liability – ending (a) – (b)	90,130	132,743	140,651	182,561	181,007	223,170	189,552		
Plan fiduciary net position as a percentage of the total pension liability	91.90%	87.65%	86.77%	82.24%	80.40%	74.70%	77.37%		
Covered-employee payroll	179,051	172,888	178,346	173,182	171,504	168,042	179,682		
Nation's net pension liability as a percentage of covered-employee payroll	\$ 50.34%	76.78%	78.86%	105.42%	105.54%	132.81%	105.49%		

Notes to schedule:

Benefit Changes: All retirees in payment on October 1, 2014 were given a one-time 2% COLA increase to their benefit.

Change of Assumptions: Based on a review of the plan performance the discount rate was changed from 8% to 7% for the fiscal year 2014 valuation.

Change of Assumptions: Based on a review of the plan performance the discount rate was changed from 7% to 6.4% for the fiscal year 2017 valuation.

Change of Assumptions: The following assumptions were updated based the results of an experience study conducted in 2019:

The base mortality tables were updated from the 1983 Group Annuity Mortality table to the PUB-10 benefits weighted tables, with separate tables for females and males, adjusted for plan specific retiree experience from 2013-2017 by a factor of 1.7 for females and 1.2 for males.

The mortality improvement projection scale MP-2019 with base year 2015 was added (previously, no projection scale was used).

The salary increase assumption was updated to be based on age for regular employees, 3.5% for commissioned law enforcement officers, and 6.0% for judges.

Termination rates were updated based on observed differences in rates by service (previously, termination rates were based on age and gender).

Retirement rates were updated based on observed rates by age and group.

The form of payment assumption was updated from 100% electing Single Life Annuity to 55% electing Single Life Annuity, 25% electing Joint & Survivor 50% Annuity, 10% electing Joint & Survivor 100% Annuity, and 10% electing 10 Year Certain & Life Annuity.

The percent married assumption was changed from 50% for males and 40% for females to 80% for both males and females.

The spouse age assumption was updated from wives three years younger than husbands to spouse assumed to be ten years younger than the primary participant.

THE NAVAJO NATION

Required Supplementary Information (Unaudited) – Pension Other Information (dollars in thousands)

Schedule of the Nation's Contributions – Schedule 3

Year ended September 30, 2020

Fiscal year ended	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered- employee payroll	Contributions as a percentage of covered- employee payroll
2020	34,516	36,293	(1,777)	179,051	20
2019	26,459	36,589	(10,130)	172,888	21
2018	32,004	38,770	(6,766)	178,346	22
2017	44,229	42,920	1,309	173,182	25
2016	42,590	46,473	(3,883)	171,504	27
2015	49,723	49,975	(252)	168,042	30
2014	49,723	47,750	1,973	179,682	27
2013			(Historical information prior to implementation of GASB 67 and 68		
2012			is not required)		
2011					

Notes to schedule:

Valuation date:

Actuarially determined contribution rates are calculated as of September 30, one year prior to the end of the fiscal year in which contributions are reported

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal, level percent of pay
Amortization method	Straight line
Remaining amortization period	15 years
Asset valuation method	Fair value

Actuarial assumptions:

Inflation	2.0%
Salary increases	Age-graded scale 2.0% – 6.0%
Investment rate of return	6.4%

Retirement age

Group-specific rates based on age ranging from 55–75, with 100% by 75 for regular employees, 100% by age 70 for commissioned law enforcement and 100% upon reaching the 75% benefit accrual cap.

Mortality

PUB 10 benefits weighted tables, with separate tables for females and males, adjusted for experience from 2013-2017 by a factor of 1.7 for females and 1.2 for males.

THE NAVAJO NATION

Required Supplementary Information (Unaudited) – Pension Other Information
(dollars in thousands)

Schedule of Investment Returns – Schedule 4

Year ended September 30, 2020

Fiscal year ended	Annual money-weighted rate of return, net of investment expense
2020	10.07
2019	3.10
2018	9.45
2017	13.24
2016	11.15
2015	(1.03)
2014	10.76
2013	(Historical information prior to implementation of GASB 67 is not required)
2012	
2011	

THE NAVAJO NATION
Supplemental Schedules – Modified Accrual Budget Basis
Combining Balance Sheet – General Fund – Schedule 5
September 30, 2020

	General Fund	Navajo Dam Escrow Fund	Oil and Gas Development Fund	Navajo Nation Reforestation Fund	Capital Outlay Match Fund	Sihasin Fund	License Plate Revenue Fund	Total General Funds
Assets								
Pooled cash and investments (including \$5,520,935 of pledged securities)	\$ 394,019,715	3,400,473	824,368	280,782	10,812,780	596,560,730	626,025	1,006,524,873
Accounts receivable, net	14,960,210	—	—	—	—	—	—	14,960,210
Accrued interest receivable	1,450,561	5,979	211	—	5,948	1,342,645	—	2,805,344
Note receivable	—	—	—	—	—	55,895,972	—	55,895,972
Other assets	503,276	—	—	—	—	—	—	503,276
Total assets	\$ 410,933,762	3,406,452	824,579	280,782	10,818,728	653,799,347	626,025	1,080,689,675
Liabilities and Fund Balances								
Liabilities:								
Accounts payable	\$ 9,691,299	—	—	—	—	2,712,763	—	12,404,062
Accrued liabilities	14,411,680	—	—	32	439,431	94,350	—	14,945,493
Unearned revenue	3,580,690	—	—	—	—	—	—	3,580,690
Total liabilities	27,683,669	—	—	32	439,431	2,807,113	—	30,930,245
Fund balances:								
Nonspendable:								
Long-term receivables	—	—	—	—	—	55,895,972	—	55,895,972
Spendable:								
Restricted for:								
Economic development loans	5,520,935	3,406,452	—	—	—	—	—	8,927,387
Other capital projects	102,735,925	—	—	—	—	946,396	—	103,682,321
Committed for:								
Other capital projects	17,662,544	—	—	—	10,379,297	594,149,866	—	622,191,707
Covid-19 donations	4,632,166	—	—	—	—	—	—	4,632,166
Other purposes	71,976,706	—	824,579	280,750	—	—	626,025	73,708,060
Assigned to:								
Other purposes	16,350,368	—	—	—	—	—	—	16,350,368
Unassigned								
General Fund	164,371,449	—	—	—	—	—	—	164,371,449
Total fund balances	383,250,093	3,406,452	824,579	280,750	10,379,297	650,992,234	626,025	1,049,759,430
Total liabilities and fund balances	\$ 410,933,762	3,406,452	824,579	280,782	10,818,728	653,799,347	626,025	1,080,689,675

See accompanying independent auditors' report.

THE NAVAJO NATION

Supplemental Schedules – Modified Accrual Budget Basis

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – General Fund – Schedule 6

Year ended September 30, 2020

	General Fund	Navajo Dam Escrow Fund	Oil and Gas Development Fund	Navajo Nation Reforestation Fund	Capital Outlay Match Fund	Sihasin Fund	License Plate Revenue Fund	Total General Funds
Revenues								
Natural resource revenue:								
Oil and gas	\$ 19,454,942	—	—	—	—	—	—	19,454,942
Mining	41,094,216	—	—	—	—	—	—	41,094,216
Tax revenue, net	85,633,091	—	—	—	—	—	—	85,633,091
Land, buildings, business site, and right-of-way revenue	71,465,965	—	—	—	—	—	—	71,465,965
Interest and dividends	17,026,395	34,124	8,499	—	138,908	14,868,613	—	32,076,539
Net increase (decrease) in fair value of investments	1,647,331	—	—	—	—	32,539,956	—	34,187,287
Pasture, rangeland, and forage insurance proceeds	30,749,423	—	—	—	—	—	—	30,749,423
Other revenue	29,030,175	—	—	1,796	—	118,974	52,122	29,203,067
Statutory allocation to permanent fund	(32,614,879)	—	—	—	—	—	—	(32,614,879)
Statutory allocation of current year revenues	(37,284,674)	—	—	—	—	—	—	(37,284,674)
Total revenues	226,201,985	34,124	8,499	1,796	138,908	47,527,543	52,122	273,964,977
Expenditures								
Current:								
General government	46,133,613	—	—	—	—	1,341,334	—	47,474,947
Economic development and planning	2,570,872	—	—	—	—	—	—	2,570,872
Community and rural development	29,302,621	—	—	—	3,023,137	15,451,509	—	47,777,267
Education and training	11,868,873	—	—	—	—	—	—	11,868,873
Natural resources	33,737,255	—	—	131	—	—	—	33,737,386
Public safety	8,007,374	—	—	—	—	—	—	8,007,374
Health and welfare	13,857,927	—	—	—	—	—	—	13,857,927
Culture and recreation	601,824	—	—	—	—	—	—	601,824
Capital outlay	3,660,411	—	—	—	462,735	1,935,143	—	6,058,289
Debt service – principal	937,389	—	—	—	—	—	—	937,389
Debt service – interest	45,355	—	—	—	—	—	—	45,355
Total expenditures	150,723,514	—	—	131	3,485,872	18,727,986	—	172,937,503
Excess (deficit) of revenues over (under) expenditures	75,478,471	34,124	8,499	1,665	(3,346,964)	28,799,557	52,122	101,027,474
Other Financing Sources (Uses)								
Transfers	11,213,277	—	—	—	2,000,000	—	—	13,213,277
Total other financing sources (uses)	11,213,277	—	—	—	2,000,000	—	—	13,213,277
Special Items								
Navajo Nation Water Resources Development Trust Fund	50,000,000	—	—	—	—	—	—	50,000,000
Claim settlements	6,500,000	—	—	—	—	—	—	6,500,000
Total special items	56,500,000	—	—	—	—	—	—	56,500,000
Net change in fund balances	143,191,748	34,124	8,499	1,665	(1,346,964)	28,799,557	52,122	170,740,751
Fund balance, beginning of year	240,058,345	3,372,328	816,080	279,085	11,726,261	622,192,677	573,903	879,018,679
Fund balance, end of year	\$ 383,250,093	3,406,452	824,579	280,750	10,379,297	650,992,234	626,025	1,049,759,430

See accompanying independent auditors' report.

THE NAVAJO NATION
Supplemental Schedules – Modified Accrual Budget Basis
Combining Balance Sheet – Nonmajor Governmental Funds – Schedule 7
September 30, 2020

	Special revenue														Debt Service				Permanent	Total
	Scholarship Fund	Navajo Tourism Fund	Navajo Nation Environmental Protection Fund	Tax Suspense Fund	Water Rights Fund	Navajo Nation Roads Fund	Land Acquisition Fund	Navajo Rehabilitation Trust Fund	Gaming Development Fund	Gaming Revenue Distribution Fund	Judicial Public Safety Facilities Fund	DPS Gaming Fund	DPS Alcohol Tax Fund	Healthy Dine Tax Act Fund	Fire and Rescue Services Fund	NTUA Repair and Replacement Fund	FMS Key Bank Loan Fund	NTUA Key Bank Loan Fund	Chapter Government Nation Building Fund	
Assets																				
Posited cash and investments	\$ 82,599,166	5,574,833	59,948,629	12,796,875	10,486,639	40,039,487	163,965,803	8,972,480	8,572,967	15,221,343	25,934,465	2,014,248	289,052	1,336,155	3,820,265	922,432	541,122	—	70,331,827	513,347,588
Accounts receivable	172,294	—	—	—	—	—	433,231	1,855	—	—	—	—	—	—	—	—	—	—	7,762	1,790
Accrued interest receivable	4,709,375	2,440	6,448	841	1,147	94,897	34,160,981	3,035,545	—	—	—	—	—	—	—	—	—	—	369,747	1,071,832
Note receivable	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	7,484,116	49,393,018
Total receivables	4,879,670	2,440	6,448	841	1,147	94,897	34,600,212	3,037,400	—	—	—	—	—	—	—	—	—	—	7,861,653	50,472,640
Total assets	\$ 87,477,836	5,577,273	59,955,077	12,797,616	10,487,786	40,134,384	198,566,015	12,009,480	8,572,967	15,221,343	25,935,307	2,014,248	289,052	1,336,155	3,820,265	922,432	541,122	—	78,193,480	663,820,228
Liabilities and Fund Balance																				
Accounts payable	\$ 59,333	134,631	89,892	—	125,473	579,116	189,063	8,238	559,129	—	518,932	\$1,995	—	47,217	174,098	—	—	—	139,973	2,615,208
Total liabilities	59,333	134,631	89,892	—	125,473	579,116	189,063	8,238	559,129	—	518,932	\$1,995	—	47,217	174,098	—	—	—	139,973	2,615,208
Fund balance:																				
Nonspendable:	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	58,597,111	58,597,111
Permanent fund principal	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	49,393,018	49,393,018
Long-term receivables	4,709,376	—	—	—	—	—	34,166,981	3,035,545	—	—	—	—	—	—	—	—	—	—	—	—
Spendable:																				
Restricted to:																				
Education	77,842,223	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	77,842,223	77,842,223
Special projects	—	—	48,234,487	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	48,775,589
Capital projects	—	—	—	—	—	—	—	8,966,097	—	—	—	—	—	—	—	—	—	—	11,925,280	25,901,377
Committed for:																				
Other capital projects	—	—	—	—	—	39,555,268	164,229,981	—	—	—	—	—	—	—	—	—	—	—	—	203,785,249
Other purposes	5,075,924	5,442,442	13,601,718	12,797,616	10,342,313	—	—	—	8,013,638	15,221,343	20,466,465	1,892,253	289,062	1,288,938	3,446,239	922,432	—	—	104,120,493	104,120,493
Total fund balance	87,424,503	5,442,442	59,886,185	12,797,616	10,342,313	39,655,268	198,395,962	12,021,451	8,013,638	15,221,343	20,466,465	1,892,253	289,062	1,288,938	3,446,239	922,432	541,122	—	78,056,927	581,205,020
Total liabilities and fund balance	\$ 87,477,836	5,577,273	59,955,077	12,797,616	10,487,786	40,134,384	198,566,015	12,009,480	8,572,967	15,221,343	25,935,307	2,014,248	289,052	1,336,155	3,820,265	922,432	541,122	—	78,193,480	663,820,228

See accompanying independent auditor's report.

THE NAVAJO NATION

Supplemental Schedules – Modified Accrual Budget Basis

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds – Schedule 8

Year ended September 30, 2020

	Special revenue														Debt Service				Permanent	Total
	Scholarship Fund	Navajo Tourism Fund	Navajo Nation Environmental Protection Agency Fund	Tax Subsidies Fund	Water Rights Fund	Navajo Nation Roads Fund	Land Acquisition Fund	Navajo Rehabilitation Trust Fund	Gaming Development Fund	Gaming Revenues Distribution Fund	Judicial Public Safety Facilities Fund	DPS Gaming Fund	DPS Alcohol Tax Fund	Healthy Dine Tax Act	Fire and Rescue Services Fund	NTUA Repair and Replacement Fund	FMS Key Bank Loan Fund	NTUA Key Bank Loan Fund	Governmental Building Fund	
Revenues:																				
Tax revenue	\$ —	898,031	—	2,225,066	—	9,544,559	—	—	—	—	—	—	68,911	1,443,205	—	—	—	—	—	14,178,492
Land, buildings, business sale, and right-of-way revenue	—	—	—	—	—	—	—	834,583	—	—	—	—	—	—	—	—	—	—	—	834,583
Interest and dividends	1,575,848	59,656	143,379	82,491	66,085	461,703	—	4,393,922	402,149	—	338,268	—	—	—	—	—	—	—	1,934,220	9,457,721
Net increase in fair value of investments	7,317,720	—	—	—	—	—	—	14,448,985	—	—	—	—	—	—	—	—	—	—	—	4,398,843
Other revenue	791,262	6,018	3,088,195	—	1,375,628	688	60,351	—	5,498,459	—	—	682,000	—	—	1,820	—	—	—	—	11,405,421
Statutory allocation to permanent fund	—	(107,534)	—	—	—	(1,146,975)	—	—	—	—	—	—	(8,289)	(173,104)	—	—	—	—	—	(1,435,969)
Statutory allocation of current year revenues	4,746,452	—	—	—	—	673,499	5,892,364	—	—	—	—	8,402,900	(4,195)	(86,937)	8,333,428	478,424	—	—	—	29,779,349
Total revenues	13,962,281	864,181	3,242,974	2,308,557	1,341,713	8,288,486	24,739,572	1,228,739	5,498,459	—	9,831,171	882,000	56,507	1,183,494	8,335,248	478,424	—	—	—	87,274,112
Expenditures:																				
General government	—	—	—	254,276	—	—	—	12,883	4,693,169	—	—	—	—	—	—	—	—	778,849	—	5,728,034
Economic and development	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	12,883
Community and social development	—	—	—	—	2,302,633	—	893,186	—	—	36,332	—	—	—	1,385,648	—	—	—	—	2,037,707	6,654,508
Education and training	8,596,656	—	1,178,395	—	—	—	—	—	—	—	—	—	—	—	1,893,035	—	—	—	—	8,596,656
Natural resources	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1,178,395
Public safety	—	—	—	—	—	—	—	—	—	—	40,313	586,013	—	—	—	—	—	—	—	2,528,361
Culture and recreation	—	468,577	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	468,577
Transportation	—	—	—	—	—	2,686,599	—	—	—	—	—	—	—	—	—	—	—	—	—	2,686,599
Capital outlay	—	212,774	217,882	—	270,330	1,160,414	3,998,962	—	23,226	—	—	156,868	27,000	—	4,351,949	—	—	—	—	10,410,425
Debt service – principal	—	—	—	—	—	—	—	—	—	—	—	2,940,000	—	—	—	—	—	—	—	2,940,000
Debt service – interest	—	—	—	—	—	—	—	—	—	—	—	1,909,628	—	—	—	—	—	—	—	1,909,628
Total expenditures	8,596,656	681,351	1,396,277	254,276	2,572,963	3,845,873	4,892,178	12,883	4,716,395	36,332	5,055,797	613,013	—	1,385,648	6,344,884	—	778,849	—	2,037,707	43,020,522
Excess (deficiency) of revenues over (under) expenditures	5,414,625	172,830	1,846,297	2,053,941	(1,231,250)	4,440,813	19,901,394	1,214,040	782,094	(36,332)	3,775,374	68,987	56,507	(202,154)	2,090,364	478,424	(778,849)	—	4,296,376	44,344,590
Other financing sources:																				
Transfers	—	—	—	—	2,000,000	—	—	—	—	—	—	—	—	—	—	—	—	—	—	2,425,894
Total other financing sources	—	—	—	—	2,000,000	—	—	—	—	—	—	—	—	—	—	—	—	—	—	2,425,894
Net change in fund balance	5,414,625	172,830	1,846,297	2,053,941	768,750	4,440,813	19,901,394	1,214,040	782,094	(36,332)	3,775,374	68,987	56,507	(202,154)	2,090,364	922,432	(778,849)	(8,114)	4,296,376	46,760,484
Fund balances, beginning of year	62,000,879	5,269,612	58,030,888	10,743,076	9,573,563	35,114,455	178,496,568	19,787,093	7,231,744	15,269,676	21,891,091	1,893,298	232,445	1,491,092	1,655,075	—	1,319,771	8,114	73,719,131	514,424,936
Fund balance, end of year	\$ 67,424,503	\$ 5,442,442	\$ 59,880,185	\$ 12,797,018	\$ 10,342,313	\$ 39,555,268	\$ 198,397,962	\$ 20,991,442	\$ 8,013,838	\$ 15,233,343	\$ 25,456,468	\$ 1,962,233	\$ 289,002	\$ 1,288,938	\$ 3,445,239	\$ 922,432	\$ 41,122	\$ —	\$ 78,005,607	\$ 61,200,000

See accompanying independent auditor's report.

THE NAVAJO NATION

Supplemental Schedules – Modified Accrual Budget Basis

Combining Statement of Net Position – Enterprise Funds – Schedule 9

September 30, 2020

	Business and Industrial Development Fund	Loan Fund	Employee Housing Fund	Parks and Recreation Fund	Fish and Wildlife Fund	Navajo Nation Code Fund	Navajo Transit Fund	Livestock Custody Fund	Fourth of July Celebration Fund	Annual Navajo Nation Fair Fund	Tribal Ranch Fund	Veterinary Medical Sales Fund	Colorado Ranch Fund	Total
Assets and Deferred Outflows of Resources														
Current assets:														
Cash and cash equivalents	\$ 33,221,389	3,486,892	1,161,036	62,217,050	2,097,986	147,687	217,433	796,051	(38,768)	1,442,728	1,792,346	92,707	676,659	107,311,196
Investments	1,748,942	9,984,332	—	—	—	—	—	—	—	—	—	—	—	11,733,274
Receivables:														
Accounts receivable	—	46	—	—	—	—	—	—	—	—	171,524	—	—	171,570
Accrued interest receivable, net	342	3,298	—	—	—	—	—	—	—	—	—	—	—	3,640
Current portion of notes receivable	3,654	1,136,226	—	—	—	—	—	—	—	—	—	—	—	1,141,280
Total receivables	3,996	1,141,570	—	—	—	—	—	—	—	—	171,524	—	—	1,316,490
Total current assets	34,973,727	14,612,794	1,161,036	62,217,050	2,097,986	147,687	217,433	796,051	(38,768)	1,442,728	1,963,870	92,707	676,659	120,360,960
Noncurrent assets:														
Receivables:														
Notes receivable, net	14,139	3,100,494	—	—	—	—	—	—	—	—	—	—	—	3,114,633
Total noncurrent assets	14,139	3,100,494	—	—	—	—	—	—	—	—	—	—	—	3,114,633
Capital assets:														
Construction in progress	113,671	—	—	—	—	—	—	—	—	—	—	—	—	113,671
Land and land development costs	960,962	—	—	—	—	—	—	—	—	—	—	—	—	960,962
Buildings	22,978,429	—	2,521,076	8,341,812	105,688	—	—	—	—	—	10,500	—	—	33,967,505
Equipment	198,364	—	89,912	1,297,535	88,999	—	113,484	133,164	—	—	242,364	—	—	2,029,108
Total capital assets	24,251,226	—	2,610,988	9,549,347	194,687	—	113,484	133,164	—	—	252,864	—	—	37,111,244
Accumulated depreciation	7,597,848	—	2,610,988	1,775,155	98,602	—	113,484	76,452	—	—	251,576	—	1,100	12,525,205
Capital assets, net	16,653,378	—	—	7,774,192	96,085	—	—	56,712	—	—	1,288	—	4,384	24,586,039
Total noncurrent assets	16,667,517	3,100,494	—	7,774,192	96,085	—	—	56,712	—	—	1,288	—	4,384	27,700,672
Pension-related outflows	503	3,280	4,301	20,581	1,858	—	—	—	—	1,577	1,492	689	1,419	35,663
Total deferred outflows of resources	503	3,280	4,301	20,581	1,858	—	—	—	—	1,577	1,492	689	1,419	35,663
Total assets and deferred outflows	\$ 51,641,747	17,716,548	1,165,337	70,011,803	2,195,929	147,687	217,433	852,766	(38,768)	1,444,305	1,966,650	93,396	682,462	148,097,295
Liabilities, Deferred Inflows of Resources and Net Position														
Current liabilities:														
Accounts payable	\$ 705	8,581	62,855	287,925	80,485	—	650	—	148	29	—	—	—	441,368
Accrued liabilities	83,800	107,559	25,481	602,210	10,186	—	—	8,505	24,603	141,810	102,329	4,550	9,199	1,120,232
Current portion of compensated absences	8,213	17,581	45,303	162,467	27,362	—	—	—	—	16,989	34,221	6,880	13,496	332,512
Total current liabilities	92,718	133,701	133,639	1,052,602	118,033	—	650	8,505	24,751	159,828	136,550	11,430	22,695	1,894,102
Noncurrent liabilities:														
Net pension liability	14,739	95,492	125,992	602,328	54,428	—	—	89	—	49,210	43,702	20,173	41,559	1,044,712
Total noncurrent liabilities	14,739	95,492	125,992	602,328	54,428	—	—	89	—	49,210	43,702	20,173	41,559	1,044,712
Total liabilities	107,457	229,193	259,631	1,654,930	172,461	—	650	8,594	24,751	205,038	180,252	31,603	64,254	2,938,814
Pension-related inflows	5,249	34,008	44,869	214,505	19,384	—	—	32	—	16,456	15,564	7,184	14,800	372,051
Total deferred inflows of resources	5,249	34,008	44,869	214,505	19,384	—	—	32	—	16,456	15,564	7,184	14,800	372,051
Net position:														
Net investment in capital assets	16,653,378	—	—	7,774,192	96,085	—	—	56,712	—	—	1,288	—	4,384	24,586,039
Unrestricted	34,875,663	17,453,347	860,837	60,369,176	1,907,999	147,687	216,783	787,428	(63,519)	1,222,811	1,709,646	54,609	599,024	120,200,391
Total net position	51,529,041	17,453,347	860,837	68,142,368	2,004,084	147,687	216,783	844,140	(63,519)	1,222,811	1,770,634	54,609	603,408	144,786,430
Total liabilities, deferred inflows and net position	\$ 51,641,747	17,716,548	1,165,337	70,011,803	2,195,929	147,687	217,433	852,766	(38,768)	1,444,305	1,966,650	93,396	682,462	148,097,295

See accompanying independent auditors' report.

THE NAVAJO NATION

Supplemental Schedules – Modified Accrual Budget Basis

Combining Statement of Revenues, Expenditures, and Changes in Net Position – Enterprise Funds – Schedule 10

Year ended September 30, 2020

	Business and Industrial Development Fund	Loan Fund	Employee Housing Fund	Parks and Recreation Fund	Fish and Wildlife Fund	Navajo Nation Code Fund	Navajo Transit Fund	Livestock Custody Fund	Fourth of July Celebration Fund	Annual Navajo Nation Fair Fund	Tribal Ranch Fund	Veterinary Medical Sales Fund	Colorado Ranch Fund	Total
Operating revenues:														
Rental income	\$ 1,708,243	—	968,890	125	—	—	—	—	—	19,300	—	—	—	2,696,558
Interest income – notes receivable	16,500	327,076	—	—	—	—	—	—	—	—	—	—	—	343,576
Charges for services	595	30,495	—	6,585,417	700,794	2,965	6,674	81,400	—	394,314	753,815	210,209	753,781	9,520,459
Other income	337	144,655	—	19,722	2,800	—	7,635	2,050	—	—	12,469	—	—	189,918
Total operating revenues	1,725,675	502,226	968,890	6,605,264	703,594	2,965	14,509	83,400	—	413,614	766,284	210,209	753,781	12,750,411
Operating expenses:														
Personnel	13,888	156,261	203,048	1,021,581	146,861	—	266	—	—	45,304	(6,922)	19,257	99,919	1,699,473
Travel, per diem, and vehicle	—	15,988	26,997	314,725	238,714	—	3,824	5,125	—	11,226	8,103	46,243	4,970	675,915
Supplies	7,218	26,853	22,215	240,053	140,348	337	9,935	73,874	2,066	8,219	3,919	44,648	171,231	750,716
Contractual service	—	21,701	—	277,501	147,662	—	—	—	—	—	—	—	295,785	742,649
Lease, telephone, and utilities	2,453	3,244	38,667	312,555	19,741	—	—	—	3,710	4,752	264,419	7,738	13,699	670,978
Repairs and maintenance	75,772	2,078	151,155	96,570	10,695	—	596	18,062	—	3,551	20,340	—	29,598	468,417
Provision for bad debts	221,050	120,597	—	—	—	—	—	—	—	—	—	—	—	341,647
Depreciation expense	470,747	—	—	101,380	15,930	—	—	32,899	—	—	4,606	—	1,100	636,662
Reinsurance premiums	230	3,455	3,127	23,310	5,983	—	—	9	—	—	830	451	1,190	39,261
Tribal grants	805,000	—	—	—	—	—	—	—	—	—	—	—	—	805,000
Other expense	185,755	7,905	7,643	306,533	43,358	—	8,878	—	1,299	5,678	—	15,238	53,885	636,172
Total operating expenses	1,791,123	357,882	452,852	2,694,208	769,292	337	23,233	130,235	7,075	79,406	295,295	133,575	671,377	7,405,890
Operating income (loss), net	(65,448)	144,344	516,038	3,911,056	(65,698)	2,628	(8,724)	(46,835)	(7,075)	334,208	470,989	76,634	82,404	5,344,521
Nonoperating revenues:														
Interest and dividends	50,257	101,607	—	442	—	—	—	—	—	—	—	—	—	152,306
Statutory allocations	4,246,451	—	—	—	—	—	—	—	—	—	—	—	—	4,246,451
Total nonoperating revenues	4,296,708	101,607	—	442	—	—	—	—	—	—	—	—	—	4,398,757
Nonoperating revenues, net	4,296,708	101,607	—	442	—	—	—	—	—	—	—	—	—	4,398,757
Excess (deficiency) of revenues over (under) expenses	4,231,260	245,951	516,038	3,911,498	(65,698)	2,628	(8,724)	(46,835)	(7,075)	334,208	470,989	76,634	82,404	9,743,278
Transfers	—	—	—	—	649,074	—	—	—	—	—	—	—	—	649,074
Change in net position	4,231,260	245,951	516,038	3,911,498	583,376	2,628	(8,724)	(46,835)	(7,075)	334,208	470,989	76,634	82,404	10,392,352
Net position, beginning of year	47,297,781	17,207,396	344,799	64,230,870	1,420,708	145,059	225,507	890,975	(56,444)	888,603	1,299,845	(22,025)	521,004	134,394,078
Net position, end of year	\$ 51,529,041	17,453,347	860,837	68,142,368	2,004,084	147,687	216,783	844,140	(63,519)	1,222,811	1,770,834	54,609	603,408	144,786,430

See accompanying independent auditors' report.

THE NAVAJO NATION

Supplemental Schedules – Modified Accrual Budget Basis

Combining Statement of Cash Flows – Enterprise Funds – Schedule 11

Year ended September 30, 2020

	Business and Industrial Development Fund	Loan Fund	Employee Housing Fund	Parks and Recreation Fund	Fish and Wildlife Fund	Navajo Nation Code Fund	Navajo Transit Fund	Livestock Custody Fund	Fourth of July Celebration Fund	Annual Navajo Nation Fair Fund	Tribal Ranch Fund	Veterinary Medical Sales Fund	Colorado Ranch Fund	Total
Cash flows from operating activities:														
Receipts from customers	\$ 1,619,088	774,743	968,890	6,585,542	700,794	2,965	6,674	81,400	—	413,614	582,291	210,209	753,781	12,699,991
Receipt of interest on loans	16,500	327,076	—	—	—	—	—	—	—	—	—	—	—	343,576
Payments to employees for services	(43,965)	(273,695)	(365,069)	(1,751,254)	(640,606)	—	—	(260)	—	(124,322)	(136,627)	(56,732)	(116,785)	(3,511,315)
Payments to suppliers	(82,481)	(262,302)	(25,560)	(240,553)	(86,146)	(397)	(8,893)	(73,874)	(1,917)	(8,924)	(4,009)	(45,064)	(171,940)	(1,092,510)
Payments to third parties for services	(866,527)	(66,939)	(221,642)	(967,526)	(423,947)	—	(4,512)	(24,207)	(3,711)	(38,932)	(296,100)	(54,758)	(342,070)	(3,310,871)
Other receipts (payments)	(185,422)	136,780	(7,642)	(26,554)	(40,556)	—	(1,043)	2,000	(1,300)	(5,678)	12,469	(15,238)	(33,885)	(186,101)
Net cash from operating activities	457,193	535,633	349,631	3,600,105	(470,465)	2,628	(8,816)	(14,841)	(6,928)	235,758	158,624	36,397	69,101	4,942,770
Cash flows from capital and related financing activity:														
(Acquisition) of capital assets	(1,389,681)	—	—	—	—	—	—	(11,550)	—	—	—	—	—	(1,401,231)
Net cash from capital and related financing activity	(1,389,681)	—	—	—	—	—	—	(11,550)	—	—	—	—	—	(1,401,231)
Cash flows from noncapital and related financing activities:														
Transfer	—	—	—	—	649,074	—	—	—	—	—	—	—	—	649,074
Statutory allocations	4,246,451	—	—	—	—	—	—	—	—	—	—	—	—	4,246,451
Net cash from noncapital and related financing activities	4,246,451	—	—	—	649,074	—	—	—	—	—	—	—	—	4,895,525
Cash flows from investing activities:														
Purchases of investments	(18,349,014)	(36,660,398)	—	—	—	—	—	—	—	—	—	—	—	(55,009,412)
Sales of investments	16,625,137	37,377,463	—	—	—	—	—	—	—	—	—	—	—	53,992,600
Interest on investment and cash balances	58,963	145,694	1,694	13,442	—	—	—	100	—	—	—	—	—	214,793
Net cash from investing activities	(1,664,914)	851,679	1,694	13,442	—	—	—	100	—	—	—	—	—	(797,999)
Net increase (decrease) in cash and cash equivalents	1,640,049	1,387,312	350,725	3,613,597	178,609	2,628	(8,716)	(26,491)	(6,928)	235,758	158,024	36,397	69,101	7,639,065
Cash and cash equivalents, beginning of year	31,572,340	2,089,680	810,311	58,603,453	1,910,377	145,069	226,149	822,542	(31,840)	1,206,970	1,634,322	56,310	607,558	99,672,131
Cash and cash equivalents, end of year	\$ 33,212,389	3,486,892	1,161,036	62,217,050	2,097,886	147,687	217,433	796,051	(38,768)	1,442,728	1,792,346	82,707	676,659	107,311,196
Reconciliation of operating income (loss) to net cash from operating activities:														
Operating income (loss)	\$ (65,448)	144,344	516,038	3,911,056	(65,698)	2,628	(8,724)	(46,835)	(7,075)	334,208	470,989	76,634	82,404	5,344,521
Adjustments to reconcile operating income to net cash from operating activities:														
Depreciation expense	479,747	—	—	101,380	15,930	—	—	32,899	—	—	4,806	—	1,100	635,662
Provision for bad debts	221,050	120,597	—	—	—	—	—	—	—	—	—	—	—	341,647
(Increase) in accounts receivable	—	—	—	—	—	—	—	—	—	—	(171,524)	—	—	(171,524)
(Increase) decrease in notes receivable	(89,754)	744,248	—	—	—	—	—	—	—	—	—	—	—	654,494
(Increase) in deferred outflows	(503)	(3,260)	(4,301)	(20,561)	(1,858)	—	—	(3)	—	(1,577)	—	(689)	(1,419)	(35,663)
(Increase) decrease in accounts payable and accrued liabilities	(54,335)	(356,122)	(4,986)	317,391	73,048	—	(92)	(1,011)	147	(19,432)	(2,498)	(762)	2,463	(50,189)
(Decrease) in net pension liability	(24,573)	(106,665)	(143,235)	(644,404)	(396,319)	—	—	—	—	(75,670)	(111,543)	(33,446)	(21,118)	(1,568,403)
Increase (decrease) in compensated absences	7	11,198	10,817	45,737	5,053	—	—	—	—	13,540	(6,245)	1,451	7,207	88,765
Increase (decrease) in deferred inflows	(4,998)	(18,687)	(26,562)	(110,441)	(84,621)	—	—	9	—	(15,313)	(24,199)	(6,791)	(13,369)	(306,450)
Total adjustments	522,641	391,289	(167,607)	(210,901)	(404,761)	—	(92)	31,894	147	(68,450)	(312,965)	(40,227)	(13,369)	(401,751)
Net cash from operating activities	\$ 457,193	535,633	349,631	3,600,105	(470,465)	2,628	(8,816)	(14,841)	(6,928)	235,758	158,024	36,397	69,101	4,942,770

See accompanying independent auditors' report.

THE NAVAJO NATION

Supplemental Schedules – Modified Accrual Budget Basis

Combining Statement of Net Position – Internal Service Funds – Schedule 12

September 30, 2020

Assets and Deferred Outflows of Resources	Fleet Management Fund	Duplicating Services Fund	Office Supply Center Fund	Air Transportation Fund	Group Health Self-Insurance Fund	Property and Casualty Self-Insurance Fund	Workers' Compensation Insurance Fund	Contingency Management Fund	Total
Current assets:									
Cash and cash equivalents	\$ 26,986,139	4,573,219	470,169	(3,113,089)	28,652,783	1,016,889	1,667,364	8,321,067	68,574,541
Investments	—	—	—	—	—	39,266,448	20,748,576	—	60,015,024
Receivables:									
Accrued interest receivable, net	—	—	—	—	—	62,777	46,703	9,977	119,457
Accounts receivable	55,705	—	—	—	41,702	22,912	77,285	—	197,604
Inventories	—	—	283,329	—	—	—	—	—	283,329
Total receivables	55,705	—	283,329	—	41,702	85,689	123,988	9,977	600,390
Total current assets	27,041,844	4,573,219	753,498	(3,113,089)	28,694,485	40,369,026	22,539,928	8,331,044	129,189,955
Noncurrent assets:									
Capital assets:									
Construction in progress	17,197	—	—	—	—	—	—	—	17,197
Buildings	226,328	—	—	—	—	—	147,411	—	373,739
Vehicles	48,112,773	—	—	—	—	—	—	—	48,112,773
Equipment	938,012	539,988	11,546	4,440,500	—	236,101	86,462	—	6,252,609
Total capital assets	49,294,310	539,988	11,546	4,440,500	—	236,101	233,873	—	54,756,318
Accumulated depreciation	41,738,547	491,397	6,650	4,297,505	—	229,506	86,462	—	46,850,067
Capital assets, net	7,555,763	48,591	4,896	142,995	—	6,595	147,411	—	7,906,251
Total noncurrent assets	7,555,763	48,591	4,896	142,995	—	6,595	147,411	—	7,906,251
Pension-related outflows	23,918	1,529	1,320	—	3,416	4,341	1,860	—	36,384
Total deferred outflows resources	23,918	1,529	1,320	—	3,416	4,341	1,860	—	36,384
Total assets and deferred outflows of resources	\$ 34,621,525	4,623,339	759,714	(2,970,094)	28,697,901	40,379,962	22,689,199	8,331,044	137,132,590
Liabilities, Deferred Inflows of Resources, and Net Position									
Current liabilities:									
Accounts payable	\$ 223,225	—	—	—	200,485	1,332,856	5,786	—	1,762,352
Accrued liabilities	95,947	16,720	7,769	—	110,119	29,439	28,698	—	288,692
Current portion of compensated absences	263,601	6,398	12,467	—	16,724	66,931	19,773	—	385,894
Unearned Revenue	—	—	—	—	5,467,519	—	—	—	5,467,519
Current estimated claims payable	—	—	—	—	6,050,000	1,869,657	303,614	—	8,223,271
Total current liabilities	582,773	23,118	20,236	—	11,844,847	3,298,883	357,871	—	16,127,728
Noncurrent liabilities:									
Estimated claims payable	—	—	—	—	—	—	—	3,679,857	3,679,857
Net pension liability	700,688	44,786	38,675	—	100,058	127,179	54,484	—	1,065,870
Total noncurrent liabilities	700,688	44,786	38,675	—	100,058	127,179	54,484	3,679,857	4,745,727
Total liabilities	1,283,461	67,904	58,911	—	11,944,905	3,426,062	412,355	3,679,857	20,873,455
Pension related inflows	249,534	15,949	13,773	—	35,633	45,292	19,403	—	379,584
Total deferred inflows of resources	249,534	15,949	13,773	—	35,633	45,292	19,403	—	379,584
Net position:									
Net investment in capital assets	7,555,763	48,591	4,896	142,995	—	6,595	147,411	—	7,906,251
Restricted, expendable for claims and judgments	—	—	—	—	16,717,363	36,902,013	22,110,030	—	75,729,406
Unrestricted	25,532,767	4,490,895	682,134	(3,113,089)	—	—	—	4,651,187	32,243,894
Total net position	33,088,530	4,539,486	687,030	(2,970,094)	16,717,363	36,908,608	22,257,441	4,651,187	115,879,551
Total liabilities, deferred inflows, and net position	\$ 34,621,525	4,623,339	759,714	(2,970,094)	28,697,901	40,379,962	22,689,199	8,331,044	137,132,590

See accompanying independent auditors' report.

THE NAVAJO NATION

Supplemental Schedules – Modified Accrual Budget Basis

Combining Statement of Revenues, Expenditures, and Changes in Net Position – Internal Service Funds – Schedule 13

Year ended September 30, 2020

	Fleet Management Fund	Duplicating Services Fund	Office Supply Center Fund	Air Transportation Fund	Group Health Self-Insurance Fund	Property and Casualty Self-Insurance Fund	Worker's Compensation Insurance Fund	Contingency Management Fund	Total
Operating revenues:									
Insurance premium income	\$ —	—	—	—	35,839,389	11,423,419	3,363,510	—	50,626,318
Charges for services	10,612,210	1,002,973	506,275	83,466	—	—	—	—	12,204,924
Other income	367,432	248	—	—	65,845	80	2,096	—	435,701
Total operating revenues	10,979,642	1,003,221	506,275	83,466	35,905,234	11,423,499	3,365,606	—	63,266,943
Operating expenditures:									
Personnel	942,788	54,332	56,655	(42,890)	148,756	84,871	93,277	—	1,337,789
Travel, per diem, and vehicle	173,939	1,156	6,795	11,504	39,648	69,186	32,638	—	334,866
Supplies	3,827,586	22,974	19,262	54,391	24,256	51,022	9,629	—	4,009,120
Cost of goods sold	—	—	392,051	—	—	—	—	—	392,051
Contractual service	—	—	—	—	5,231,230	829,056	93,315	—	6,153,601
Lease, telephone, and utilities	24,315	291,147	3,799	2,904	7,644	13,701	8,164	—	351,674
Repairs and maintenance	90,724	135,943	330	8,883	2,727	1,058	—	—	239,665
Depreciation expense	3,660,186	16,973	1,649	—	—	31,635	8,972	—	3,719,415
Benefits and claims	—	—	—	—	27,151,151	3,397,056	1,244,521	1,433,177	33,225,905
Reinsurance premiums	22,938	634	1,034	1,522	4,205,171	2,996,717	2,283	—	7,230,299
Other expense	68,020	1,276	5,238	27,245	38,419	8,332	11,390	—	159,920
Total operating expenditures	8,810,496	524,435	486,813	63,559	36,849,002	7,482,634	1,504,189	1,433,177	57,154,305
Net operating income (loss)	2,169,146	478,786	19,462	19,907	(943,768)	3,940,865	1,861,417	(1,433,177)	6,112,638
Nonoperating revenues:									
Interest and dividends	—	—	—	—	4,137	457,923	355,138	58,633	875,831
Net increase in fair value of investments	—	—	—	—	—	—	1,117,688	—	1,117,688
Total nonoperating revenues	—	—	—	—	4,137	457,923	1,472,826	58,633	1,993,519
Excess (deficiency) of revenues over (under) expenditures	2,169,146	478,786	19,462	19,907	(939,631)	4,398,788	3,334,243	(1,374,544)	8,106,157
Transfers	—	—	—	148,039	(6,500,000)	—	—	1,012,299	(5,339,662)
Change in net position	2,169,146	478,786	19,462	167,946	(7,439,631)	4,398,788	3,334,243	(362,245)	2,766,495
Net position, beginning of year	30,919,384	4,060,700	667,568	(3,138,040)	24,156,994	32,509,820	18,923,198	5,013,432	113,113,056
Net position, end of year	\$ 33,088,530	4,539,486	687,030	(2,970,094)	16,717,363	36,908,608	22,257,441	4,651,187	115,879,551

See accompanying independent auditors' report.

THE NAVAJO NATION

Supplemental Schedules – Modified Accrual Budget Basis

Combining Statement of Cash Flows – Internal Service Funds – Schedule 14

Year ended September 30, 2020

	Fleet Management Fund	Duplicating Services Fund	Office Supply Center Fund	Air Transportation Fund	Group Health Self-Insurance Fund	Property and Casualty Self-Insurance Fund	Workers' Compensation Insurance Fund	Contingency Management Fund	Totals
Cash flows from operating activities:									
Receipts from customers	\$ 10,614,973	1,002,973	1,078,544	83,466	—	—	—	—	12,779,956
Cash received for premiums from the government	—	—	—	—	40,424,802	4,203,218	1,683,683	—	46,311,703
Cash received from others for premiums	—	—	—	—	(1,951,253)	7,203,328	1,898,610	—	7,150,685
Payments to employees for services	(2,004,556)	(133,055)	(110,393)	(92,202)	(288,720)	(364,399)	(152,189)	—	(3,145,514)
Payment of claims	—	—	—	—	(27,101,151)	(3,329,946)	(1,244,521)	(238,578)	(31,914,196)
Payments to suppliers	(3,781,034)	(32,661)	(694,644)	(54,391)	(29,569)	302,172	(11,721)	—	(4,301,848)
Payments to third parties for services	(980,940)	(423,571)	(17,287)	(52,058)	(4,032,776)	(3,926,177)	(146,776)	—	(9,579,585)
Other receipts	367,430	248	—	—	—	—	2,096	—	369,774
Net cash from operating activities	4,215,873	413,934	256,220	(115,185)	7,021,333	4,088,196	2,029,182	(238,578)	17,670,975
Cash flows from capital and related financing activity:									
(Acquisition) sale of capital assets	(67,450)	—	—	—	—	—	—	—	(67,450)
Sale of capital assets	12,707	—	—	—	—	—	—	—	12,707
Net cash from capital and related financing activity	(54,743)	—	—	—	—	—	—	—	(54,743)
Cash flows from noncapital and related financing activity:									
Transfer	—	—	—	148,039	(6,500,000)	—	—	1,012,299	(5,339,662)
Net cash from noncapital and related financing activity	—	—	—	148,039	(6,500,000)	—	—	1,012,299	(5,339,662)
Cash flows from investing activities:									
Purchases of investments	—	—	—	—	—	(60,991,757)	(27,851,641)	(24,671,960)	(113,515,358)
Sale of investments	—	—	—	—	—	55,575,597	26,197,891	24,671,960	106,445,448
Interest on investment and cash balances	—	—	—	—	4,137	567,736	385,568	51,325	1,008,766
Net cash from investing activities:	—	—	—	—	4,137	(4,848,424)	(1,268,182)	51,325	(6,061,144)
Net increase (decrease) in cash and cash equivalents	4,161,130	413,934	256,220	32,854	525,470	(760,228)	761,000	825,046	6,215,426
Cash and cash equivalents, beginning of year	22,825,009	4,159,285	213,949	(3,145,943)	28,127,313	1,777,117	906,364	7,496,021	62,359,115
Cash and cash equivalents, end of year	\$ 26,986,139	4,573,219	470,169	(3,113,089)	28,652,783	1,016,889	1,667,364	8,321,067	68,574,541
Reconciliation of operating income (loss) to net cash from operating activities:									
Operating income (loss)	\$ 2,169,146	478,786	19,462	19,907	(943,768)	3,940,865	1,861,417	(1,433,177)	6,112,638
Adjustments to reconcile operating income (loss) to net cash from operating activities:									
Depreciation expense	3,660,186	16,973	1,649	—	—	31,635	8,972	—	3,719,415
(Increase) decrease in accounts receivable	2,763	—	572,269	—	2,568,315	(16,953)	218,783	—	3,345,177
(Increase) in inventories	—	—	(283,329)	—	—	—	—	—	(283,329)
(Increase) in deferred outflows	(23,918)	(1,529)	(1,320)	—	(3,416)	(4,341)	(1,860)	—	(36,384)
Increase (decrease) in accounts payable and accrued liabilities	(554,453)	(3,102)	(93)	—	19,231	345,067	(1,077)	—	(194,427)
Increase in unearned revenues	—	—	—	—	5,467,519	—	—	—	5,467,519
Increase in compensated absences	85,878	559	4,990	—	9,793	15,027	10,358	—	126,605
(Decrease) in net pension liability	(944,467)	(65,069)	(48,468)	(107,160)	(123,663)	(239,844)	(57,600)	—	(1,586,271)
(Decrease) in deferred inflows	(179,262)	(12,684)	(8,940)	(27,932)	(22,678)	(50,370)	(9,811)	—	(311,677)
Increase in estimated claims payable	—	—	—	—	50,000	67,110	—	1,194,599	1,311,709
Total adjustments	2,046,727	(64,852)	236,758	(135,092)	7,965,101	147,331	167,765	1,194,599	11,558,337
Net cash from operating activities	\$ 4,215,873	413,934	256,220	(115,185)	7,021,333	4,088,196	2,029,182	(238,578)	17,670,975

See accompanying independent auditors' report.

THE NAVAJO NATION

Supplemental Schedules – Modified Accrual Budget Basis

Combining Statement of Fiduciary Net Position – Fiduciary Funds – Schedule 15

September 30, 2020

	Pension Trust Funds			Private-Purpose Trust Funds										Total Private-Purpose Trust Funds	Total Fiduciary Funds
	Retirement Fund	Deferred Retirement Fund	Nihbweeo 401 (k) Fund	Total Pension Trust Funds	Handicapped Services Trust Fund	Senior Citizen Services Trust Fund	Vocational Education Trust Fund	Navajo Academy Trust Fund	Navajo Trust Fund	Sales Tax Trust Fund	Local Governance Trust Fund	Veterans' Trust Fund	Navajo Bennett Freeze Trust Fund		
Assets and Deferred Outflows of Resources															
Cash and cash equivalents:															
Managed by:															
The Navajo Nation	\$ (273,535)	25,169	(4,213)	(252,579)	279,409	162,830	654,233	—	(477,804)	7,112,341	4,663,152	31,837,692	452,337	44,684,190	44,431,611
Managers selected by the Navajo Nation	14,459,661	494,138	57	14,953,856	372,172	321,976	—	105,760	—	—	—	11,347,370	—	12,147,278	27,101,134
Bureau of Indian Affairs, as trustee for the Navajo Nation	—	—	—	—	—	—	—	—	1,776,452	—	—	—	—	1,776,452	1,776,452
Total cash and cash equivalents	14,186,126	519,307	(4,156)	14,701,277	651,581	484,806	654,233	105,760	1,298,648	7,112,341	4,663,152	43,185,062	452,337	58,607,920	73,309,197
Investments:															
Managed by:															
The Navajo Nation	—	—	—	—	487,487	160,922	153,928	333,929	—	1,809,230	9,666,034	—	4,171,854	16,583,384	16,583,384
Managers selected by the Navajo Nation	1,007,276,024	2,406,886	113,532,338	1,123,215,248	15,031,298	12,330,778	12,612,600	—	—	—	—	171,341,801	—	211,316,477	1,334,531,725
Total investments	1,007,276,024	2,406,886	113,532,338	1,123,215,248	15,518,785	12,491,700	12,766,528	333,929	—	1,809,230	9,666,034	171,341,801	4,171,854	227,899,861	1,351,115,109
Receivables:															
Notes receivable	—	—	—	—	1,136,866	975,785	1,135,866	—	—	—	—	4,849,095	—	8,097,612	8,097,612
Participant loans receivable	—	—	8,989,920	8,989,920	—	—	—	—	—	—	—	—	—	8,989,920	8,989,920
Accrued interest receivable	2,380,035	67	—	2,380,102	41,265	36,495	37,191	116	—	3,563	3,662	443,340	5,678	571,341	2,951,443
Total receivables	2,380,035	67	8,989,920	11,370,022	1,178,134	1,012,280	1,173,057	116	—	3,563	3,662	5,292,435	5,678	8,668,953	20,038,975
Pension-related outflows	—	—	—	—	470	—	—	—	—	—	—	—	—	470	470
Total deferred outflows of resources	—	—	—	—	470	—	—	—	—	—	—	—	—	470	470
Total assets and deferred outflows of resources	1,023,842,185	2,926,260	122,518,102	1,148,286,547	17,348,970	13,968,786	14,589,813	439,805	1,298,648	8,725,134	14,332,878	219,619,298	4,629,867	256,177,254	1,444,463,751
Liabilities, Deferred Inflows of Resources, and Net Position															
Accounts payable	935,897	—	—	935,897	5,189	4,656	4,561	—	—	65,692	—	53,647	—	133,745	1,069,642
Accrued liabilities	22,917	—	—	22,917	11,201	—	—	—	—	205,310	—	—	—	216,511	239,428
Net pension liability	—	—	—	—	13,754	—	—	—	—	—	—	—	—	13,754	13,754
Total liabilities	958,814	—	—	958,814	30,144	4,656	4,561	—	—	271,002	—	53,647	—	364,010	1,322,824
Pension related inflows	—	—	—	—	4,898	—	—	—	—	—	—	—	—	4,898	4,898
Total deferred inflows of resources	—	—	—	—	4,898	—	—	—	—	—	—	—	—	4,898	4,898
Net position held in trust for pension benefits and other purposes	\$ 1,022,883,371	2,926,260	122,518,102	1,148,327,733	17,313,928	13,964,130	14,589,257	439,805	1,298,648	8,454,132	14,332,878	219,765,651	4,629,867	254,809,296	1,443,136,029

See accompanying independent auditors' report.

THE NAVAJO NATION

Supplemental Schedules – Modified Accrual Budget Basis

Combining Statement of Changes in Fiduciary Net Position – Fiduciary Funds – Schedule 16

September 30, 2020

	Pension Trust Funds				Private-Purpose Trust Funds										Total Private-Purpose Trust Funds	Total Fiduciary Funds
	Retirement Fund	Deferred Retirement Fund	Niibeeso 401 (k) Fund	Total Pension Trust Funds	Handicapped Services Trust Fund	Senior Citizen Services Trust Fund	Vocational Education Trust Fund	Navajo Academy Trust Fund	Navajo Trust Fund	Sales Tax Trust Fund	Local Governance Trust Fund	Veterans' Trust Fund	Navajo Bennett Freeze Trust Fund			
Additions:																
Interest and dividends	\$ 22,726,288	42,881	1,990,894	24,760,063	341,911	284,805	309,575	3,536	95,718	153,103	138,399	3,148,556	51,093	4,526,696	29,286,759	
Net increase in fair value of investments	73,693,120	117,832	4,968,896	78,779,848	1,757,740	1,360,837	1,229,839	—	—	—	—	21,799,741	—	26,148,157	104,928,005	
Contributions to plans	36,293,237	642,236	9,776,864	46,712,337	—	—	—	—	—	11,757,180	—	—	—	11,757,180	11,757,180	
Tax revenue	—	—	—	—	2,092	15,838	8	—	—	—	—	167,032	—	184,970	184,970	
Other revenue	—	—	—	—	—	—	—	—	—	(1,410,862)	—	—	—	(1,410,862)	(1,410,862)	
Statutory allocation to permanent fund	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Statutory allocation of current year revenues	—	—	—	—	—	—	—	—	—	(5,525,854)	—	11,784,728	—	6,258,874	6,258,874	
Total additions	132,712,645	802,949	16,736,654	150,252,248	2,101,743	1,661,480	1,539,422	3,536	95,718	4,873,567	138,399	36,900,057	51,093	47,485,015	197,717,263	
Deductions:																
Personnel	318,347	—	—	318,347	13,820	—	—	—	—	—	—	—	—	13,820	332,167	
Travel	14,348	—	—	14,348	5,935	—	—	—	—	—	—	157,375	—	163,310	177,658	
Supplies	15,771	—	—	15,771	—	—	—	—	—	—	—	2,390	206	2,596	18,367	
Chapter disbursements	—	—	—	—	—	—	—	—	—	6,371,456	—	—	—	6,371,456	6,371,456	
Tribal grants	—	—	—	—	48,527	—	—	—	—	—	—	4,387,734	—	4,437,261	4,437,261	
Utilities	168,549	—	—	168,549	—	—	—	—	—	—	—	146	—	146	168,695	
Retirement benefits	45,680,099	179,805	9,528,637	55,388,541	—	—	—	—	—	—	—	—	—	—	55,388,541	
Contractual services	5,841,713	—	279,975	6,121,688	21,770	19,277	19,118	—	—	—	—	233,968	346,668	640,801	6,762,489	
Scholarship payments	—	—	—	—	—	—	220,412	—	—	—	—	—	—	220,412	220,412	
Other	17,029	—	25,950	42,979	47,046	262,460	—	—	—	—	—	32,942	—	342,448	385,427	
Total deductions	52,055,856	179,805	9,834,562	62,070,223	138,068	281,737	239,530	—	—	6,371,456	—	4,814,555	346,874	12,192,250	74,262,473	
Change in net position	80,656,789	623,144	6,902,092	88,182,025	1,963,645	1,379,743	1,299,892	3,536	95,718	(1,397,889)	138,399	32,085,502	(295,781)	35,272,765	123,454,790	
Net position, beginning of year	842,226,582	2,303,116	115,616,010	1,060,145,708	15,350,289	12,604,367	13,289,365	436,269	1,202,930	9,852,021	14,194,479	187,680,149	4,925,648	259,535,531	1,319,681,239	
Net position, end of year	\$ 1,022,883,371	2,926,260	122,518,102	1,148,327,733	17,313,934	13,984,130	14,589,257	439,805	1,298,648	8,454,132	14,332,878	219,765,651	4,629,867	294,808,296	1,443,136,029	

See accompanying independent auditors' report.

Report of Independent Auditors 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*

The Navajo Nation Council
The Navajo Nation

We have audited, 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, the modified accrual budget basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The Navajo Nation (the "Nation") as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Nation's basic financial statements, and have issued our report thereon dated August 24, 2021. Our report contains an adverse opinion on the aggregate discretely presented component units as they are excluded from these primary government financial statements.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Nation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances 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 Nation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Nation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as findings 2020-001 and 2020-002, that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Nation's financial statements are free from 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 financial statements. 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Nation's Response to Findings

The Nation's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Nation's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Moss Adams LLP

Phoenix, Arizona
August 24, 2021

Report of Independent Auditors on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

The Navajo Nation Council
The Navajo Nation

Report on Compliance for Each Major Federal Program

We have audited the Navajo Nation's (the "Nation") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Nation's major federal programs for the year ended September 30, 2020. The Nation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Nation's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 Nation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our qualified and unmodified opinions on compliance for each major federal program. However, our audit does not provide a legal determination of the Nation's compliance.

Basis for Qualified Opinion on the Special Diabetes Program for Indians Diabetes Prevention and Treatment Projects CFDA #93.237, Food Distribution Program on Indian Reservations CFDA #10.567, the CCDF Cluster CFDA #93.575/93.596, Services to Indian Children, Elderly, and Families CFDA #15.025, Water Resources on Indian Lands CFDA #15.037, and the Coronavirus Relief Fund CFDA #21.019

As described in the accompanying schedule of findings and questioned costs, the Nation did not comply with requirements regarding the following.

<i>Finding Number(s)</i>	<i>CFDA Number(s)</i>	<i>Program Name</i>	<i>Compliance Requirement</i>
2020-003	93.237	<i>U.S. Department of Health and Human Services – Special Diabetes Program for Indians Diabetes Prevention and Treatment Projects</i>	Eligibility
2020-004	10.567	<i>U.S. Department of Agriculture – Food Distribution Program on Indian Reservations</i>	Eligibility
2020-006	93.575 93.596	<i>U.S. Department of Health and Human Services – CCDF Cluster</i>	Earmarking
2020-007	15.025	<i>U.S. Department of the Interior – Services to Indian Children, Elderly, and Families</i>	Eligibility
2020-008	15.037	<i>U.S. Department of the Interior – Water Resources on Indian Lands</i>	Special Tests and Provisions
2020-009	21.019	<i>U.S. Department of Treasury – Coronavirus Relief Fund</i>	Allowable Costs

Compliance with such requirements is necessary, in our opinion, for the Nation to comply with the requirements applicable to that program.

Qualified Opinion on the Special Diabetes Program for Indians Diabetes Prevention and Treatment Projects CFDA #93.237, Food Distribution Program on Indian Reservations CFDA #10.567, the CCDF Cluster CFDA #93.575/93.596, Services to Indian Children, Elderly, and Families CFDA #15.025, Water Resources on Indian Lands CFDA #15.037, and the Coronavirus Relief Fund CFDA #21.019

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Nation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Special Diabetes Program for Indians Diabetes Prevention and Treatment Projects CFDA #93.237, Food Distribution Program on Indian Reservations CFDA #10.567, the CCDF Cluster CFDA #93.575/93.596, Services to Indian Children, Elderly, and Families CFDA #15.025, Water Resources on Indian Lands CFDA #15.037, and the Coronavirus Relief Fund CFDA #21.019 for the year ended September 30, 2020.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the Nation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended September 30, 2020.

Other Matters

The Nation's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Nation's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Nation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Nation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 Nation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2020-003, 2020-004, 2020-005, 2020-006, 2020-007, 2020-008, and 2020-009, that we consider to be material weaknesses.

The Nation's responses to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Nation's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Moss Adams LLP

Phoenix, Arizona
August 24, 2021

The Navajo Nation
Schedule of Findings and Questioned Costs
Fiscal Year Ended September 30, 2020

I. Summary of Auditor's Results

Financial Statements

The Navajo Nation's (the "Nation's") financial statements were not prepared in accordance with GAAP but were prepared in accordance with a special purpose framework. The special purpose framework was as follows:

*Other Basis – Modified accrual
budget basis of accounting*

Was the special purpose framework used as a basis of accounting required by state law?

☐ Yes ☒ No

Type of report the auditor issued on the financial statements prepared in accordance with the special purpose framework:

*Adverse – Aggregate discretely
presented component units*

Unmodified – All other opinion units

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

☐ Yes ☒ No
☒ Yes ☐ None reported

Noncompliance material to financial statements noted?

☐ Yes ☒ No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

☒ Yes ☐ No
☐ Yes ☒ None reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

☒ Yes ☐ No

The Navajo Nation
Schedule of Findings and Questioned Costs (Continued)
Fiscal Year Ended September 30, 2020

Identification of major federal programs and type of auditor's report issued on compliance for major federal programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>	<i>Type of Auditor's Report Issued on Compliance for Major Federal Programs</i>
10.557	<i>U.S. Department of Agriculture – Special Supplemental Nutrition Program for Women, Infants, and Children</i>	Unmodified
10.567	<i>U.S. Department of Agriculture – Food Distribution Program on Indian Reservations</i>	Qualified
15.020	<i>U.S. Department of the Interior – Aid to Tribal Governments</i>	Unmodified
15.025	<i>U.S. Department of the Interior – Services to Indian Children, Elderly, and Families</i>	Qualified
15.037	<i>U.S. Department of the Interior – Water Resources on Indian Lands</i>	Qualified
15.114	<i>U.S. Department of the Interior – Indian Education Higher Education Grant</i>	Unmodified
17.265	<i>U.S. Department of Labor – Native American Employment and Training</i>	Unmodified
20.509	<i>U.S. Department of Transportation – Formula Grants for Rural Areas</i>	Unmodified
21.019	<i>U.S. Department of Treasury – Coronavirus Relief Fund</i>	Qualified
84.027	<i>U.S. Department of Education – Special Education Grants to States (Special Education Cluster – IDEA)</i>	Unmodified
93.237	<i>U.S. Department of Health and Human Services – Special Diabetes Program for Indians Diabetes Prevention and Treatment Projects</i>	Qualified
93.558	<i>U.S. Department of Health and Human Services – Temporary Assistance for Needy Families</i>	Unmodified
93.563	<i>U.S. Department of Health and Human Services – Child Support Enforcement</i>	Unmodified
93.575 / 93.596	<i>U.S. Department of Health and Human Services – CCDF Cluster</i>	Qualified
93.600	<i>U.S. Department of Health and Human Services – Head Start (Head Start Cluster)</i>	Unmodified

The Navajo Nation
Schedule of Findings and Questioned Costs (Continued)
Fiscal Year Ended September 30, 2020

Dollar threshold used to distinguish between
type A and type B programs:

\$3,000,000

Auditee qualified as low-risk auditee?

☐ Yes

☒ No

II. Financial Statement Findings

2020-001 –Grants Receivables – Significant Deficiency in Internal Controls Over Financial Reporting

Criteria: The Nation is responsible for maintaining effective internal controls over their financial statement account balances. Internal controls should be designed to timely manage the recognition and collections of grant receivables.

Condition/Context: We found a deficiency in the Nation's financial reporting over the recognition and collections of grants receivables. To determine if grant receivable balances are collectible, we directly tested \$10,763,360 and randomly selected an additional nine (9) balances that totaled \$2,169,485. As a result of this testing, we found \$1,102,536 of grant receivables that should have been reclassified to unearned revenues and \$345,598 that were considered uncollectible. When we extrapolated our random sample to the population of total grants receivables, our projected error of grant receivables that are considered uncollectible was \$701,774 at September 30, 2020.

Cause: This deficiency was primarily due the result of the COVID-19 pandemic and limited staffing available to ensure account balances were reconciled timely and accurately.

Effect: As a result of not reconciling grants receivables timely, the risk of errors increases in the amounts reported in the financial statements.

Recommendations: The Nation should ensure adequate internal controls are in place to reduce the risk of error, theft, and abuse. Grant receivables balances should be monitored on at least a semi-annual basis to ensure amounts reported are accurate and collectible.

Views of responsible officials and planned corrective action:

The Office of the Controller (OOC) will review the grant companies with insufficient subsequent receipts as of September 30, 2021, and review the respective grant documents to determine the reason the receivable has not been recovered. A drawdown will be completed for those grants that are still open and an allowance will be placed on the grants that are closed. In addition, an annual review will be completed covering all of the balances itemized by funding agency.

The Controller of the Nation's Office of the Controller is responsible to ensure the planned corrective action is fully achieved by September 30, 2021.

The Navajo Nation

Schedule of Findings and Questioned Costs (Continued)

Fiscal Year Ended September 30, 2020

2020-002 – Information Technology – Significant Deficiency in Internal Controls Over Financial Reporting

Criteria: Information technology (IT), including systems and infrastructure, is essential and integral to the efficiency of the Nation's operations and to maintain the confidentiality, integrity, and availability of data. IT internal controls are as important as the internal controls that surround the input of financial transactions into the Nation's general ledger.

Condition/Context: The following deficiencies of the Nation's IT internal controls were identified during the course of our audit:

1. During the fiscal year ending September 30, 2020, the Nation did not perform a review of user access roles and permissions for its accounting system and applications.
2. The Nation does not have a process in place to ensure terminated employees are removed timely from the accounting system. Specifically, the Nation does not have a process in place to ensure the IT department is notified by the departments of terminations in order to remove access to the accounting system for the terminated employee.
3. The Nation has developed a change management policy. However, the processes involved in the policy are not monitored annually for any new risks or changes.

This is a repeat of finding 2019-002 from the from the prior year schedule of findings and questioned costs.

Cause: The cause for most of the deficiencies noted appears to be the lack of resources in the IT department for the Nation.

Effect: Without strong internal controls over the Nation's IT financial applications, there is the potential for confidentiality, integrity, and/or availability of data to be compromised. In order to implement these improvements, the IT Department needs the support and commitment of the Nation's management, the cooperation of the Nation's employees as well as coordination among departments.

Auditor's recommendation: We recommend the following:

1. The Nation should review users' access listings for all financial applications, restricting user access rights on a need to know basis, consistent with their roles and responsibilities. This will ensure that the Nation is not providing too much access privilege to any employee that might in turn be used either intentionally or unintentionally to modify data within the system. Additionally, the Nation should formalize termination procedures with the department to ensure the timely removal of terminated employees.

The Navajo Nation
Schedule of Findings and Questioned Costs (Continued)
Fiscal Year Ended September 30, 2020

2020-002 – Information Technology – Significant Deficiency in Internal Controls Over Financial Reporting (continued)

2. The Nation's change management process be monitored annually. It should cover authorization, testing, user's acceptance and deployment procedures, etc. Appropriate documentation and sign offs should be maintained in the event of upgrade of system change, especially the testing and user acceptance. System implementation is an entity-wide initiative and hence collaboration between departments as well as involvement of the IT Department is imperative.

Views of responsible officials and planned corrective action:

The Navajo Nation Programs have Inquiry and 6B access only to the Navajo Nation Financial Management Information System (FMIS). Therefore, the Navajo Nation Programs do not have control over inputting of financial transactions into the Nations General Ledger. The security risk is very low for these roles/access for those users outside/external to Office of the Controller (OOC).

1. OOC FMIS Systems Office will continue to review user access FMIS/JDE roles and permission on a quarterly basis. OOC has developed a report of user roles. This report encompasses development of a script from the JDE History tables of user access. OOC customizes a script to update and run on a scheduler. FMIS Systems will deactivate users who have not used the system in 30 days. OOC will continue to perform the steps outlined in the script.

OOC internal staff have various levels of access based on their job roles. OOC internal users are the ones with the access to change information directly in the system. Consequently, these individuals are deemed a higher security risk. After 90 days, FMIS IT will continue to reset their password and/or disabled. OOC does remove internal OOC employees' access immediately upon termination.

OOC FMIS Systems Office does not get Personnel Action Forms (PAFs) from programs in a timely manner. FMIS System Office will continue to work with Navajo Nation Human Resources and Programs to notify the FMIS Systems Office. Termination of NN employee PAFs is the direct responsibility of the NN Programs.

2. OOC uses Zendesk ticketing system to monitor all change management issues for FMIS. Each ticket is open and monitored until its closed. For higher level projects a JDE/FMIS project close out document (system executive annual summary report) will document summary of what was changed in FMIS/HRIS with a signature sign off by end of second quarter after year end close.

The Controller of the Nation's Office of the Controller is responsible to ensure the planned corrective action is fully achieved by September 30, 2021.

The Navajo Nation
Schedule of Findings and Questioned Costs (Continued)
Fiscal Year Ended September 30, 2020

III. Federal Award Findings and Questioned Costs

2020-003 – Eligibility – Material Weakness in Internal Controls Over Compliance and Instance of Material Noncompliance

<i>CFDA Number</i>	<i>Federal Agency/Pass-through Entity – Program Name</i>	<i>Award Number</i>	<i>Award Year</i>
93.237	U.S. Department of Health and Human Services – Special Diabetes Program for Indians Diabetes Prevention and Treatment Projects	H1D1HS0199	01/15/2016-12/31/2020

Criteria: In accordance with 42 CFR § 136.12, eligibility requirements for services under the Indian Health Services program state that “services will be made available, as medically indicated, to persons of Indian descent belonging to the Indian community served by the local facilities and programs. Generally, an individual may be regarded as within the scope of the Indian health and medical service program if he/she is regarded as an Indian by the community in which he/she lives as evidenced by such factors as tribal membership, enrollment, residence on tax-exempt land, ownership of restricted property, active participation in tribal affairs, or other relevant factors in keeping with general Bureau of Indian Affairs practices in the jurisdiction.”

Condition/Context: Using a random sampling methodology, we selected 25 out of 8,500 participant files to verify eligibility in accordance with 42 CFR § 136.12 and found that in 15 of the 25 participants selected, the participant file did not contain all documentation required to determine eligibility, such as Tribal enrollment status and residency verification.

Cause: The Nation has concerns related to confidentiality of the information needed to determine eligibility and therefore has not required individuals to provide this information in order to participate in the program. Additionally, the Nation has not established formal policies and procedures over participant eligibility and has not maintained the proper support to ensure individuals are eligible to participate in the program.

Effect: Without strong internal controls over participant eligibility, ineligible participants may benefit from federally funded programs. Additionally, serving ineligible individuals may lead to unallowable questioned costs by the funding agency.

Questioned costs: The Special Diabetes program is a prevention program that focuses on providing preventative diabetes and nutrition education. Since benefits are not paid out directly to the individuals, there were no reportable instances of questioned costs.

Repeat finding: This finding is not a repeat finding.

The Navajo Nation
Schedule of Findings and Questioned Costs (Continued)
Fiscal Year Ended September 30, 2020

2020-003 – Eligibility – Material Weakness in Internal Controls Over Compliance and Instance of Material Noncompliance (continued)

Auditor's recommendation: The Nation should implement policies and procedures over participant eligibility, including ensuring that eligibility documentation is retained in participant files for all individuals. Additionally, eligibility determinations should be reviewed and approved to ensure all individuals are eligible to participate in the program.

Views of responsible officials and planned corrective action:

The Navajo Special Diabetes Program (NSDP) shall implement the following internal control procedures to resolve the finding:

Action Type	Duties	Responsible Persons
Policy and Procedure Development	Development of written policies and procedures on participant eligibility and include eligibility documentation are filed at each location.	Program Manager and Supervisors
Policy and Procedure Development	Development of written policies and procedures for staff to review and approve participation of individuals in the program.	Program Manager and Supervisors
Approval of Policy and Procedures	The policy and procedures will be presented to Health, Education and Human Services Committee for approval.	Program Manager
Implement Policy and Procedures	The approved policy and procedures will be implemented across all locations.	All Staff
Compliance with 42 CFR § 136.12	A written directive shall be issued to all NSDP field staff on eligibility and residency requirements pursuant to 42 CFR § 136.12.	Program Manager

The Executive Director of the Navajo Department of Health is responsible to ensure the planned corrective action is fully achieved by September 30, 2021. Furthermore, the Executive Director of the Navajo Department of Health shall ensure the development and implementation of policies and procedures regarding participant eligibility according to 42 CFR § 136.12 by February 17, 2022.

2020-004 – Eligibility (Dual Participation) – Material Weakness in Internal Controls Over Compliance and Instance of Material Noncompliance

CFDA Number	Federal Agency/Pass-through Entity – Program Name	Award Number	Award Year
10.567	U.S. Department of Agriculture – Food Distribution Program on Indian Reservations	7AZ430NA4	10/1/19 – 9/30/20

The Navajo Nation

Schedule of Findings and Questioned Costs (Continued)

Fiscal Year Ended September 30, 2020

2020-004 – Eligibility (Dual Participation) – Material Weakness in Internal Controls Over Compliance and Instance of Material Noncompliance (continued)

Criteria: In accordance with 7 CFR § 253.7, prohibition on dual participation, no household shall be allowed to participate simultaneously in the Food Stamp Program and Food Distribution Program (FDP). The programs shall inform each applicant household of this prohibition and shall develop a method to detect dual participation. The method developed by the programs shall, at a minimum, employ lists of currently certified households provided by and provided to the appropriate food stamp agency on a monthly basis. The program may also employ computer checks, address checks, and telephone calls to prevent dual participation. The program shall coordinate with the appropriate food stamp agency or agencies in developing controls for dual participation.

Additionally, 2 CFR § 200.303 requires the recipient of federal funds to establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-federal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework,” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Condition/Context: We obtained a list of participants in the program for each food distribution warehouse operated by the Nation. The total participants in the program were 9,132 and we selected a sample of 40 for testing. Although the program staff received participant reports to detect dual participation, for the 40 participants we reviewed, the FDP staff do not have a method in place to monitor dual participation at least on a monthly basis as required by 7 CFR 253.7. For all households certified prior to the final month of the fiscal year, no evidence of monthly monitoring for dual participation existed.

Cause: The Nation has met with the federal officials in Arizona, New Mexico, and Utah and has been unable to properly share data to ensure compliance with these federal requirements. The Nation has concerns sharing protected personal information between the local food stamp agency or agencies and the Nation. Therefore, the program has not established a process between the program and local food stamp agency or agencies to check for dual participation on a monthly basis during the fiscal year 2020.

Effect: The program is not preventing duplicate benefits of the program participants, and therefore, is not in compliance with the eligibility requirements.

Questioned costs: Questioned costs were not determinable as we were not able to determine whether or not participants received dual benefits.

Repeat finding: This finding is a repeat of findings 2019-003 and 2018-002 from the prior year schedules of findings and questioned costs.

The Navajo Nation
Schedule of Findings and Questioned Costs (Continued)
Fiscal Year Ended September 30, 2020

2020-004 – Eligibility (Dual Participation) – Material Weakness in Internal Controls Over Compliance and Instance of Material Noncompliance (continued)

Auditor's recommendation: We recommend that the program implement a process to employ lists of currently certified households and provide them to state agencies within the states of New Mexico, Arizona, and Utah in order to detect dual participation on a monthly basis. The program should also implement internal controls to ensure that these lists are provided to the states at least monthly. Further, the program should maintain documented evidence of the details used to generate these reports and also document the review of such reports for all enrolled participants throughout the year.

Views of responsible officials and planned corrective action:

The Navajo Food Distribution Program (NFDP) shall implement the following planned corrective action to resolve the finding:

Action Type	Duties	Responsible Persons
Discuss the Process to Employ Lists	Coordinate a call with the State of New Mexico, Arizona, and Utah to discuss a process to share certified household information to detect dual participation.	Program Manager
Develop a Process to Employ Lists	NFDP and States to agree on a method to share certified household information to detect dual participation.	Program Manager
Submitting list of clients	Each location will submit a list of clients to the central office.	Staff
Aggregating list of clients	Central office will aggregate on a monthly basis.	Central Office
Documenting Submissions	Document transactions via secure file transfer or other methods to the state offices.	Central Office
Review Enrolled Participants	Staff will review enrolled participants and select a random sample.	Supervisors

The Executive Director of the Navajo Department of Health is responsible to ensure the planned corrective action is fully achieved by September 30, 2021. Furthermore, the Executive Director of the Navajo Department of Health shall ensure the development and implementation of policies and procedures regarding participant eligibility according to 42 CFR § 136.12 by February 17, 2022.

2020-005 – Eligibility – Material Weakness in Internal Controls Over Compliance

CFDA Number	Federal Agency/Pass-through Entity – Program Name	Award Number	Award Year
15.020	U.S. Department of the Interior – Aid to Tribal Governments	A19AV00373	01/01/2019–12/31/2021

The Navajo Nation

Schedule of Findings and Questioned Costs (Continued)

Fiscal Year Ended September 30, 2020

2020-005 – Eligibility – Material Weakness in Internal Controls Over Compliance (continued)

Criteria: In accordance with the Navajo Nation COVID-19 Burial Assistance Guidelines and the Navajo Nation Division of Social Services' Protocol for Financial Services (Policy), the determination of eligibility is a continuous process, which includes all activities, related to an application, from the applicant's first request to receive financial assistance to closure of services. The eligibility determination process is completed for each applicant to determine that all the specific eligibility criteria provided in requested contracted service is met. To be eligible the applicant must fully meet each of the eligibility conditions in this policy.

Condition/Context: Using a random sample methodology, we selected a sample of 20 from 142 participant files to verify eligibility and recalculate benefits in accordance with the policy. We found that in two of the 20 participants selections, although the participant file contained all documentation to verify eligibility and recalculate benefits in accordance with the policy, the approval did not occur until after financial assistance was provided to the individual and the transaction was recorded in the accounting system.

Cause: The Nation does not have sufficient controls implemented to appropriately review and monitor eligibility controls and compliance requirements and ensure amounts were properly recorded in the general ledger.

Effect: Without strong internal controls over participant eligibility, ineligible participants may benefit from federally funded programs. Despite the lack of internal controls over eligibility, no participants were found to be ineligible in our audit.

Questioned costs: As an internal control finding there were no reportable instances of questioned costs.

Repeat finding: This finding is not a repeat finding.

Auditor's recommendation: Participant files should be properly maintained and eligibility determinations, made in accordance with the policy, should be reviewed and approved to ensure all participants are eligible and benefits paid were appropriate.

Views of responsible officials and planned corrective action:

The Division of Human Resources (DHR) and the Navajo Division of Social Services (NDSS) shall implement the following to resolve the finding:

NOVRI Goal and Activity

The Navajo Office of Vital Records and Identification (NOVRI) / DHR will review applications or similar documents and return documents which are not approved by signature by the proper approval authority at the NDSS or any other program receiving funds managed by NOVRI.

The Navajo Nation
Schedule of Findings and Questioned Costs (Continued)
Fiscal Year Ended September 30, 2020

2020-005 – Eligibility – Material Weakness in Internal Controls Over Compliance (continued)

As a crosscutting finding, NOVRI will coordinate with programs receiving funds to clarify the process on who is the proper approval authority and to review where approval signatures are located on applications. Further, NOVRI will communicate on adhering to other program's procedures and requirements on how to properly prepare financial documents and applications.

NDSS Goal and Activity

The NDSS established an internal control system for separation of duties and responsibilities. One staff prepares the financial packets and two other staff review for completeness and accuracy to ensure approval signatures are obtained prior to submitting the documents for payment.

The Division Directors for DHR and NDSS are responsible to ensure the planned corrective action is fully achieved by September 30, 2021.

2020-006 – Earmarking – Material Weakness in Internal Controls Over Compliance and Instance of Material Noncompliance

<i>CFDA Number</i>	<i>Federal Agency/Pass-through Entity – Program Name</i>	<i>Award Number</i>	<i>Award Year</i>
93.575	U.S. Department of Health and Human Services – CCDF Cluster	G-18PGAZCCDF	10/01/2017 – 09/30/2020
93.596		G-19PGAZCCDF	10/01/2018 – 09/30/2021

Criteria: In accordance with 45 CFR §98.83 (a), administrative earmarking requirements for the Child Care and Development Fund, “not more than 15 percent of the aggregate CCDF funds expended by the Tribal Lead Agency from each fiscal year’s shall be expended for administrative activities.” Per 45 CFR §98.54 these activities may include, “salaries and related cost of the staff of the Lead Agency or other agencies engaged in the administration and implementation of the program,” including “indirect costs as determined by an indirect cost agreement or cost allocation plan.”

In addition, in accordance with 45 CFR §98.83 (g), “of the aggregated amount of funds expended, not less than eight percent in fiscal year 2020 [...] shall be used for activities designed to improve the quality of child care services and increase parental options for, and access to high-quality child care” and “no less than three percent in fiscal year 2019 and each succeeding fiscal year shall be used to carry out activities at §98.53 (a)(4) as such activities relate to the quality of care for infants and toddlers.”

The Navajo Nation

Schedule of Findings and Questioned Costs (Continued)

Fiscal Year Ended September 30, 2020

2020-006 – Earmarking – Material Weakness in Internal Controls Over Compliance and Instance of Material Noncompliance (continued)

Condition/Context: During our review of the total expenditures for the CCDF Cluster to ensure compliance with the earmarking requirements, we found the following based on our calculations:

- For the 15% administrative cap earmarking requirement for fiscal year 2020
 - Grant G-18PGAZCCDF exceeded the administrative cap by \$1,010,768 (Total administrative expenditures incurred of \$2,542,377 exceeded the administrative cap of \$1,531,609)
 - Grant G-19PGAZCCDF exceeded the administrative cap by \$761,282 (Total administrative expenditures incurred of \$2,200,909 exceeded the administrative cap of \$1,439,627)
- For the 8% quality of care earmarking requirement, grant G-19PGAZCCDF did not meet the requirement by \$226,314 (Minimum quality of care expenditures of \$767,801 were required to be met but the program only spent \$541,488)
- In order to meet the 3% quality of care for infants and toddlers earmarking requirement
 - Grant G-18PGAZCCDF did not meet the requirement by \$277,609 (Minimum quality of care for infants and toddlers' expenditures of \$306,322 were required to be met but the program only spent \$28,713)
 - Grant G-19PGAZCCDF did not meet the requirement by \$258,052 (Minimum quality of care for infants and toddlers' expenditures of \$287,925 were required to be met but the program only spent \$29,873)

Questioned costs: Although the quality of care and quality of care for infants and toddlers earmarking requirements did not result in an overcharge or questioned costs for the program, the program exceeded its 15% administrative by \$1,772,050 resulting in questioned costs of September 30, 2020.

Cause: The Nation was following a long-established policy to apply the full approved indirect cost rate percentage to the program. However, the 2020 indirect cost rate increased by approximately 2% to 18.7% from the 2018 and 2019 percentages of 15.5% and 15.85%, respectively. This caused the Nation to significantly exceed the administrative earmark for the program.

Effect: The Nation did not meet its targeted earmarking requirements for the program.

Repeat finding: This finding is not a repeat finding.

Auditor's recommendation: We recommend the Nation develop and implement a system for tracking earmarking compliance requirements for the CCDF Cluster. The program's compliance with the earmarking requirements should be reviewed on at least an annual basis and if it appears the earmarking requirements will not be met, apply for a waiver from the funding agency.

The Navajo Nation
Schedule of Findings and Questioned Costs (Continued)
Fiscal Year Ended September 30, 2020

2020-006 – Earmarking – Material Weakness in Internal Controls Over Compliance and Instance of Material Noncompliance (continued)

Views of responsible officials and planned corrective action:

The Navajo Division of Social Services (NDSS), Department of Child Care and Development (DCCD) shall implement the following planned corrective action to resolve the finding:

Tasks	Responsible Person	Timeline
1. Schedule a meeting with the Region IX Child Care Finance Specialist to address the 15% administrative cap requirement.	NDSS Executive Director Department Manager III Office of the Controller	August 31, 2021
2. Meet with assigned Accountant from the Navajo Nation Contract Accounting Section to develop a system for tracking earmarking requirements.	NDSS Executive Director Department Manager III	August 31, 2021
3. Request supplemental appropriation in the amount of \$1,772,049 for exceeding the administrative cap.	NDSS Executive Director Department Manager III	September 30, 2021
4. DCCD initiated dialogue with the funding source the in June 2021. A draft letter was submitted to the Region IX Program Specialists for review. Finalized letter was signed by President Nez and sent to funding agency July 13, 2021.	NDSS Executive Director Department Manager III	July 2, 2021 *Approval letter received 8/6/21
5. Develop and implement a process to code expenditures to ensure proper use and tracking of quality and infant toddler funds.	NDSS Executive Director Department Manager III Office of the Controller	August 31, 2021

The Division Director of NDSS is responsible to ensure the planned corrective action is fully achieved by September 30, 2021.

2020-007 – Eligibility – Material Weakness in Internal Controls Over Compliance and Instance of Material Noncompliance

CFDA Number	Federal Agency/Pass-through Entity – Program Name	Award Number	Award Year
15.025	U.S. Department of the Interior - Services to Indian Children, Elderly, and Families	A16AV00385	01/01/2016–12/31/2020

Criteria: In accordance with the Navajo Nation Division of Social Services' Protocol for Financial Services (the "Policy"), the determination of eligibility is a continuous process, which includes all activities, related to an application, from the applicant's first request to receive financial assistance to closure of services. The eligibility determination process is completed for each applicant to determine that all the specific eligibility criteria provided in requested contracted service is met. To be eligible the applicant must fully meet each of the eligibility conditions in this Policy.

The Navajo Nation

Schedule of Findings and Questioned Costs (Continued)

Fiscal Year Ended September 30, 2020

2020-007 – Eligibility – Material Weakness in Internal Controls Over Compliance and Instance of Material Noncompliance (continued)

Condition/Context: We randomly selected 40 participant files to verify eligibility and recalculate benefits in accordance with the policy and found the following:

- The Guardianship Agreements and/or the Application for Department of Family Services in three participant files were not reviewed and approved by the NDSS Supervisor to determine the individual was eligible to receive services and benefits for the selected check date.
- The benefits paid to five individuals were unable to be recalculated using the approved Family Foster Home Care Rates and Fees Schedule.
- The Guardianship Agreement and/or the Application for Department of Family Services for one participant had expired prior to the check date of the benefit to the participant. The Nation was unable to provide any additional agreements or recertifications that would be in effect for the check date.
- A Guardianship Agreement and/or an Application for Department of Family Services for one participant was not completed.

Cause: The Nation did not maintain proper support to ensure participant benefits were calculated properly.

Effect: The participant may be ineligible for the program or their benefits may be calculated inappropriately.

Questioned costs: Likely questioned costs of \$318,260 (based on known questioned costs of \$3,269 divided by our total sample for foster care benefits of \$24,988; that percentage is then multiplied against the population of foster care benefit expenditures of \$2,432,824).

Repeat finding: This finding is a repeat of finding 2019-007 from the prior year schedule of findings and questioned costs.

Auditor's recommendation: Participant files should be properly maintained, and eligibility should be determined continuously in accordance with the Policy to ensure all participants are eligible and benefits paid were appropriate.

Views of responsible officials and planned corrective action:

The Navajo Division of Social Services (NDSS), Department of Family Services (DFS) shall implement the following planned corrective action to resolve the finding:

Goal: DFS will complete at least 60 foster care and Title IV-E combined case reviews per month.

The Navajo Nation
Schedule of Findings and Questioned Costs (Continued)
Fiscal Year Ended September 30, 2020

2020-007 – Eligibility – Material Weakness in Internal Controls Over Compliance and Instance of Material Noncompliance (continued)

Activity: Department field supervisors will coordinate with caseworkers to ensure cases are up to date by conducting monthly case reviews. This will be a continuation of the monthly case reviews that was implemented effective April 2021.

The Division Director for NDSS is responsible to ensure the planned corrective action is fully achieved by September 30, 2021.

2020-008 – Special Tests and Provision (Prevailing Wage Rates) – Material Weakness in Internal Controls Over Compliance and Instance of Material Noncompliance

<i>CFDA Number</i>	<i>Federal Agency/Pass-through Entity – Program Name</i>	<i>Award Number</i>	<i>Award Year</i>
15.037	U.S. Department of the Interior – Water Resources on Indian Lands	A12AV01292	1/1/2015 – 12/31/2019
		A12AV01296	
		A13AV00193	2/27/2019 – 12/31/2024
		A15AV00083	
		A16AV00710	
		A17AV00180	
		A18AV00338	

Criteria: The Davis-Bacon Act (the “Act”) and related regulations require that federal grantees include certain construction contracts a requirement that the contractor or subcontractors comply with the requirement of the Act and related Department of Labor (DOL) regulations to pay employees based on the DOL’s published prevailing wages. In addition, grantees must monitor contractors’ compliance with the Act, including obtaining copies of certified payroll reports, to verify that the required prevailing wage rates were paid to workers.

Condition/Context: For one contractor reviewed that entered into two construction contracts with the program, the two contracts did not include language requiring the contractor to comply with the Act’s prevailing wage requirement. Although the program received payroll reports from the contractor at the end of the projects, there was no evidence that the program adequately reviewed and approved the submitted certified payrolls timely during the course of the projects to ensure the contractor was in compliance with the Act.

Cause: The program does not appear to have controls in place to ensure the Act requirement was adhered to by the contractor.

The Navajo Nation

Schedule of Findings and Questioned Costs (Continued)

Fiscal Year Ended September 30, 2020

2020-008 – Special Tests and Provision (Prevailing Wage Rates) – Material Weakness in Internal Controls Over Compliance and Instance of Material Noncompliance (continued)

Effect: For one contractor, their two construction contracts with the program did not include the required language to ensure compliance with the Act. As a result, the program is not in compliance with these federal requirements. Without proper monitoring, there is a risk that contractors may not be following prevailing wage requirements.

Questioned costs: Questioned costs were not determinable.

Repeat finding: This is not a repeat finding.

Auditor's recommendation: Provide training to staff to understand the key federal requirements of the grant and to ensure contractors are properly monitored for compliance. The Nation should implement and enforce policies requiring the review of certified weekly payroll reports on a timely basis for all applicable contractors.

Views of responsible officials and planned corrective action:

The Department of Water Resources (DWR) of Division of Water Resources (DNR) shall implement the following planned corrective action to resolve the finding:

1. By August 31, 2021, the DWR will identify any existing open construction contracts paid for by Public Law 93-638 Subpart J Contract funds and DWR management will identify the staff responsible for monitoring the subcontract. Any open construction contracts paid for by Public Law 93-638 Subpart J Contract funds will have certified payrolls reviewed on a bi-weekly basis by DWR management.
2. By September 30, 2021, any open construction contracts paid for by Public Law 93-638 Subpart J Contract funds will have an amendment put into the 164 Review process that states the subcontractor will use of wages at not less than those prevailing on similar construction in the locality, as determined by the Government of Labor in accordance with Davis-Bacon Act of March 3, 1931 (46 Stat. 1494), as amended.
3. Any new Subpart J construction subcontracts will be reviewed by DWR management and DNR Division Director as ensure the subcontract include language on use of wages not less than those prevailing on similar construction and such verified during the 164 Review process.
4. The DWR will identify training on Public Law 93-638 Subpart J Construction Contract training by September 30, 202 and DWR staff attend such.

The Division Director of the Division of Natural Resources is responsible to ensure the planned corrective action is fully achieved by September 30, 2021.

The Navajo Nation
Schedule of Findings and Questioned Costs (Continued)
Fiscal Year Ended September 30, 2020

2020-009 – Allowable Costs – Material Weakness in Internal Controls Over Compliance and Instance of Material Noncompliance

<i>CFDA Number</i>	<i>Federal Agency/Pass-through Entity – Program Name</i>	<i>Award Number</i>	<i>Award Year</i>
21.019	U.S. Department of Treasury – Coronavirus Relief Fund	SocSec Act S601(a) S5001 CARES	2020

Criteria: CARES Act, Pub. L. No. 116-136, Division A, Title V (2020) requires that the Coronavirus Relief Fund monies must be used to cover costs that are:

1. Necessary expenditures incurred due to the public health emergency with respect to COVID-19;
2. Not accounted for in the governments' most recently approved as of March 27, 2020; and
3. Incurred during the period that begins on March 1, 2020 and ends on December 30, 2020.

Additionally, 2 CFR § 200.303 requires the recipient of federal funds establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-federal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

Condition/Context: The Nation's Payroll Support Program paid out of the Coronavirus Relief Program Funds were used to charge employee time related to the public health emergency and for payroll costs incurred for employees who were unable to work as a result of the Nation's stay at home order. We randomly selected 40 employees receiving pay from the Nation's Payroll Support Program to verify that the employee's time was related to the public health emergency or for employees who were unable to work. We found that one employee's holiday pay was charged to the program although the employee was working.

Cause: The Nation did not properly allocate costs to the grant for allowable payroll costs. During the Nation's review process of costs to charge to the program, management evaluated the costs on a department level rather than the employee level. Specifically, management took into consideration the departments that were considered essential and which departments were subject to stay at home orders and therefore, made the determination to charge holiday pay to the grants based on this analysis.

Effect: The federal program was overcharged.

Questioned costs: Likely questioned costs of \$141,187 (based on known questioned costs of \$167 divided by our total sample for the program of \$49,488; that percentage is then multiplied against the population for the Payroll Support Program expenditures of \$41,748,472.)

Repeat finding: This finding is not a repeat finding.

The Navajo Nation
Schedule of Findings and Questioned Costs (Continued)
Fiscal Year Ended September 30, 2020

2020-009 – Allowable Costs – Material Weakness in Internal Controls Over Compliance and Instance of Material Noncompliance (continued)

Auditor's recommendation: We recommend the Nation ensure that costs charged to grant are allowable and in accordance with grant requirements.

Views of responsible officials and planned corrective action:

The Office of the Controller (OOC), Payroll Section, did not make the determinations as to which department would stay home or determine which employee would be deemed essential personnel during the start of the pandemic. These factors were decided at the departmental level. An analysis was performed by the Payroll Section to evaluate the administrative pay and associated benefits that would be charged to the payroll support program within the CARES Act. Payroll expense was reviewed for the period of time the Nation was closed, which was March 2020 through August 2020, and the identified expense was charged to the payroll support program. In addition, holiday pay for those individuals on administrative pay was evaluated. For any employee that had a significant amount of administrative pay, the holiday pay was also charged to the payroll support program. The Payroll Section's review did not take into account each payroll cycle; instead, it encompassed the review of the total period. The review performed was deemed appropriate by management based on the process of determining essential personnel at the departmental level. The allocated CARES Act funds for the payroll support program was exhausted as of September 30, 2020. The OOC will continue to evaluate expenses in accordance with Section 601(d) of the Social Security Act, as added by section 5001 of the CARES Act.

The Controller of the Nation's Office of the Controller is responsible to ensure the planned corrective action is fully achieved by September 30, 2021.

THE NAVAJO NATION

JONATHAN NEZ | PRESIDENT MYRON LIZER | VICE PRESIDENT



The Navajo Nation Summary Schedule of Prior Audit Findings Fiscal Year Ended September 30, 2020

Finding Number	Finding	Status
2019-001	Unrecorded Asset and Liability <i>Condition/Context:</i> During the course of the 2019 audit, the Nation discovered that one of their deposit accounts in the amount of \$46,000,000 as of September 30, 2018, was erroneously not reported in the Nation's financial statements.	Resolved
2019-002	Information Technology <i>Condition/Context:</i> The following deficiencies of the Nation's IT internal controls were identified during the course of our audit: <ul style="list-style-type: none">• User access reviews were not completed for the year ending September 30, 2019.• The password policy for JD Edwards was not in accordance with the Nation's standard password policy.• IT is not notified of terminations immediately, which may lead to terminated employees still having active accounts within JD Edwards.	Partially resolved, see repeat finding at 2020-002
2019-003	Eligibility (Dual Participation) <i>Condition/Context:</i> The auditors obtained a list of participants in the program for each food distribution warehouse operated by the Nation. The total participants in the program were 7,299 and a sample of 40 were selected for testing. Although the program staff received participant reports, for the 40 participants reviewed, the FDP staff do not have a method in place to detect dual participation at least on a monthly basis as required by 7 CFR 253.7. For all households certified prior to the final month of the fiscal year, no evidence of monthly monitoring for dual participation existed.	Not resolved, see repeat finding at 2020-004

The Navajo Nation
Summary Schedule of Prior Audit Findings (Continued)
Fiscal Year Ended September 30, 2020

Finding Number	Finding	Status
2019-004	<p>Equipment and Real Property Management</p> <p><i>Condition/Context:</i></p> <ul style="list-style-type: none"> • Water Resources on Indian Lands – The auditors obtained the fixed asset inventory listing for the program and tested 10 of the 35 equipment items with a net book value greater than \$0. Of the ten equipment items tested for equipment tagging, four equipment items purchased with federal funds did not contain the appropriate Navajo Nation asset tag. • Head Start – The auditors obtained the fixed asset inventory listing for the program and tested 10 of the 47 equipment items with a net book value greater than \$0. Of the ten equipment items tested for equipment tagging, three equipment items purchased with federal funds did not contain the appropriate Navajo Nation asset tag. 	Resolved
2019-005	<p>Subrecipient Monitoring</p> <p><i>Condition/Context:</i> The Nation passed through a total of approximately \$2,638,000 to 12 subrecipient schools under this program. The auditors selected a sample of five subrecipients to test who received a total of approximately \$1,807,000 in pass-through funds from the Nation. For all five subrecipients tested, documented monitoring and follow up procedures were not completed verifying the Nation was taking timely and appropriate action on all deficiencies pertaining to the pass-through award provided to the subrecipient. Program management did complete monitoring reviews for subrecipients, but this occurred after the auditor requested the information from the program. The program did, however, perform documented quarterly monitoring of financial and performance reports submitted by the subrecipient to the program. For one of the five subrecipients tested, the program improperly identified the activity as a contractor relationship rather than a subrecipient.</p>	Resolved

The Navajo Nation
Summary Schedule of Prior Audit Findings (Continued)
Fiscal Year Ended September 30, 2020

Finding Number	Finding	Status
2019-006	<p>Allowable Costs</p> <p><i>Condition/Context:</i> The Nation's Health Benefits internal service fund's contributions were in excess of claims expenses by \$23,549,691 for the fiscal year ending September 30, 2019.</p>	Resolved
2019-007	<p>Eligibility</p> <p><i>Condition/Context:</i> The auditors randomly selected 40 participant files to verify eligibility and recalculate benefits in accordance with the policy and found the following:</p> <ul style="list-style-type: none"> • The Nation could not provide all of the required documents for one participant to support their eligibility to the program. • The auditors found that for eight participate files, the Guardianship Agreements and/or the Application for Department of Family Services had expired prior to the check date of the benefit to the participant. The Nation was unable to provide any additional agreements or recertifications that would be in effect for the check date. 	Not resolved, see repeat finding at 2020-007

THE NAVAJO NATION

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The Navajo Nation Corrective Action Plan Prepared by Management Fiscal Year Ended September 30, 2020

Audit Finding	Corrective Action Plan	Office Responsible	Estimated Completion Date
2020-001	The grant companies with insufficient subsequent receipts as of September 30, 2021 and the respective grant documents will be reviewed to determine the reason the receivable has not been recovered. Funds will be drawn down on grants that are still open and an allowance placed on the grants that are closed. In addition, an annual review will be completed covering all of the balances itemized by funding agency.	Office of the Controller (OOC)	Sept. 30, 2021
2020-002	OOC's change management policy will be followed so FMIS users and access is controlled to employee's (users) roles and responsibilities, users informed of their rights and privileges and such acknowledged by user signing appropriate document and periodic review performed to ensure authorized users are employed personnel and those who severed employment with the Navajo Nation deleted.	OOC	Sept. 30, 2021
2020-003	Policies and procedures will be developed 1) on participant eligibility and include eligibility documentation are filed at each location and 2) for staff to review and approve participation of individuals in the program. NSDP field staff will ensure compliance on eligibility and residency requirements of 42 CFR § 136.12.	Navajo Special Diabetes Program (NSDP) / NDOH	Sept. 30, 2021
2020-004	NFDP will agree on a method with the States of New Mexico, Arizona and Utah to share certified household information to detect dual participation. NFDP staff will review a sample of the enrolled participants based on the method and report the result of the review.	Navajo Food Distribution Program (NFDP) / NDOH	Sept. 30, 2021
2020-005	This is a crosscutting finding on award administered by Navajo Office of Vital Records and Identification (NOVRI) of DHR and the purpose of funds implemented by other programs. NOVRI will review document on procurement	Division of Human Resources (DHR) and the Navajo Division of Social Services (NDSS)	Sept. 30, 2021

	<p>proposed by the programs and return those that are not approved by signature by the proper approval authority. NOVRI will ensure programs receiving funds clarify the process on who is the proper approval authority and documents approved with signature by authorized person. Further, NOVRI will process documents based on program's procedures and requirements on financial documents.</p> <p>NDSS has internal control system on separation of duties and responsibilities. One staff prepares the financial packets and two other staff reviews for completeness and accuracy to ensure approval signatures are obtained prior to submitting the documents for payment.</p>		
2020-006	With the assistance of funding agency (Region IX Child Care) and the Nation's OOC and Office of Management and Budget, DCCD/NDSS will develop a system for tracking earmarking compliance requirements. The system will include quarterly review of the earmarking requirement. Result of the review will be handled as appropriate including resolving issues.	Depart. of Child Care and Development (DCCD) / NDSS	Sept. 30, 2021
2020-007	DFS will complete at least 60 foster care and Title IV-E combined case reviews per month. DFS Field Supervisors will coordinate with caseworkers to ensure case reviews are up to date. The monthly case reviews is continuation of process that started in April 2021.	Department of Family Services (DFS) / NDSS	Sept. 30, 2021
2020-008	The Department will ensure P. L. 93-638 Subpart J Contract and Subcontracts include provision requiring wages not less than those prevailing on similar construction in the locality, as determined by the Government of Labor in accordance with Davis-Bacon Act of March 3, 1931 (46 Stat. 1494), as amended. The certified payroll submitted biweekly by the Contractor will be reviewed for compliance by the Department Training on P. L. 93-638 Subpart J Construction Contract will be arranged for the Department personnel.	Department of Water Resources (Department) / DNR	Sept. 30, 2021
2020-009	The salary (payroll) expenses will be evaluated in accordance with Section 601(d) of the Social Security Act, as added by section 5001 of the CARES Act to ensure compliance.	OOC	Sept. 30, 2021

The Navajo Nation

Schedule of Expenditures of Federal Awards

Fiscal Year Ended September 30, 2020

Federal Grantor / Passed Through Grantor / Program Title	CFDA Number	Grant or State Passed Through Number	Amount Passed Through to Subrecipients	Amount Expended	Total Award Expended	Total COVID-19 Award Expended
Department of Agriculture:						
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	7A2700NA1	-	106,403.00	106,403.00	-
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	7A2700NA7	-	6,582,780.00	6,582,780.00	-
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	NO GRANT NUMBER ASSIGN	-	5,815.00	5,815.00	-
Total WIC Special Supplemental Nutrition Program for Women, Infants, and Children			-	6,694,998.00	6,694,998.00	-
Child and Adult Care Food Program	10.558	AGREEMENT #0127	-	222,515.00	222,515.00	-
Passed through Arizona Department of Education:						
Child and Adult Care Food Program	10.558	CTD NO. 01-26-04	-	109,484.00	109,484.00	-
Child and Adult Care Food Program	10.558	CTD NO. 01-26-05	-	16,625.00	16,625.00	-
Child and Adult Care Food Program	10.558	CTD NO. 01-26-06	-	40,330.00	40,330.00	-
Total Passed through Arizona Department of Education:			-	166,439.00	166,439.00	-
Total Child and Adult Care Food Program			-	388,954.00	388,954.00	-
Food Distribution Program on Indian Reservations	10.567	7A2430NA4	-	7,237,410.00	7,237,410.00	-
Healthy, Hunger-Free Kids Act of 2010 Childhood Hunger Research and Demonstration Projects	10.592	HHFKA DEMO-15-AZ	-	461,460.00	461,460.00	-
Total Department of Agriculture			-	14,782,822.00	14,782,822.00	-
Department of Urban and Housing Development:						
Indian Community Development Block Grant Program	14.862	B-15-SR-04-0281	-	38,009.00	38,009.00	-
Indian Community Development Block Grant Program	14.862	B-16-SR-04-0281	-	6,995.00	6,995.00	-
Indian Community Development Block Grant Program	14.862	B-17-SR-04-0281	-	617,533.00	617,533.00	-
Indian Community Development Block Grant Program	14.862	B-18-SR-04-0281	-	98,173.00	98,173.00	-
Total Indian Community Development Block Grant Program			-	760,710.00	760,710.00	-
Total Department of Housing and Urban Development			-	760,710.00	760,710.00	-
Department of the Interior:						
Aid To Tribal Governments	15.020	A13AV00203	-	4,765.00	4,765.00	-
Aid To Tribal Governments	15.020	A16AV00285	-	232,190.00	232,190.00	-
Aid To Tribal Governments	15.020	A19AV00373	-	1,082,667.00	1,082,667.00	-
COVID-19 - Aid to Tribal Governments	15.020	A19AV00373	-	2,503,094.00	2,503,094.00	2,503,094.00
Total Aid to Tribal Government			-	3,822,716.00	3,822,716.00	2,503,094.00
Services to Indian Children, Elderly and Families	15.025	A16AV00385	-	27,516,342.00	27,516,342.00	-
Tribal Courts	15.029	A17AV00252	-	2,362,099.00	2,362,099.00	-
Tribal Courts	15.029	A19AP00102	-	265,487.00	265,487.00	-
Total Tribal Courts			-	2,627,586.00	2,627,586.00	-
Indian Law Enforcement	15.030	A13AV00206	-	282,773.00	282,773.00	-
Indian Law Enforcement	15.030	A13AV00207	-	317,735.00	317,735.00	-
Indian Law Enforcement	15.030	A13AV00222	-	377,570.00	377,570.00	-
Indian Law Enforcement	15.030	A16AV00383	-	25,475,606.00	25,475,606.00	-
Indian Law Enforcement	15.030	A16AV00384	-	5,312,029.00	5,312,029.00	-
Indian Law Enforcement	15.030	A18AV00235	-	7,326,321.00	7,326,321.00	-
Indian Law Enforcement	15.030	A18AV00236	-	4,623,896.00	4,623,896.00	-
Total Indian Law Enforcement			-	43,715,930.00	43,715,930.00	-
Agriculture on Indian Lands	15.034	A16AV00335	-	681,734.00	681,734.00	-
Agriculture on Indian Lands	15.034	A16AV00368	-	668,706.00	668,706.00	-
Total Agriculture on Indian Lands			-	1,350,440.00	1,350,440.00	-
Forestry on Indian Lands	15.035	A13AV00257	-	1,937.00	1,937.00	-
Forestry on Indian Lands	15.035	A16AV00335	-	3,075.00	3,075.00	-
Forestry on Indian Lands	15.035	A18AV00262	-	1,336,716.00	1,336,716.00	-
Total Forestry on Indian Lands			-	1,341,728.00	1,341,728.00	-
Water Resources on Indian Lands	15.037	A12AV01292	-	168,766.00	168,766.00	-
Water Resources on Indian Lands	15.037	A12AV01296	-	364,528.00	364,528.00	-
Water Resources on Indian Lands	15.037	A13AV00193	-	14,784.00	14,784.00	-
Water Resources on Indian Lands	15.037	A15AV00083	-	1,255,667.00	1,255,667.00	-
Water Resources on Indian Lands	15.037	A16AV00710	-	110,140.00	110,140.00	-
Water Resources on Indian Lands	15.037	A17AV00180	-	1,466,501.00	1,466,501.00	-
Water Resources on Indian Lands	15.037	A18AV00338	-	1,104,413.00	1,104,413.00	-
Water Resources on Indian Lands	15.037	A19AV00070	-	386,699.00	386,699.00	-
Water Resources on Indian Lands	15.037	A20AV00139	-	106,500.00	106,500.00	-
Total Water Resource on Indian Lands			-	4,977,998.00	4,977,998.00	-
Minerals and Mining on Indian Lands	15.038	A18AP00065	-	61,730.00	61,730.00	-
Environmental Management Indian Programs	15.041	A12AV01094	-	105,869.00	105,869.00	-
Environmental Management Indian Programs	15.041	A17AV00262	-	592,008.00	592,008.00	-
Total Environmental Management Indian Programs			-	697,877.00	697,877.00	-
Administrative Cost Grants for Indian Schools	15.046	A16AP00003	-	221,801.00	221,801.00	-
Safety of Dams on Indian Lands	15.065	A16AV00480	-	209,165.00	209,165.00	-
Safety of Dams on Indian Lands	15.065	A19AV00490	-	422,002.00	422,002.00	-
Safety of Dams on Indian Lands	15.065	A13AV00301	-	2.00	2.00	-
Total Safety of Dams on Indian Lands			-	631,169.00	631,169.00	-
Indian Education Higher Education Grant	15.114	A17AV00096	-	13,283,267.00	13,283,267.00	-
Indian Education Assistance to Schools	15.130	A15AV00154	333,210.00	63,266.00	396,476.00	-
Indian Education Assistance to Schools	15.130	A18AV00337	2,186,933.00	771,098.00	2,958,031.00	-
Total Indian Education Assistance to Schools			2,520,143.00	834,364.00	3,354,507.00	-
Indian Housing Assistance	15.141	A10AV00795-CTN00T780D1	-	3,490.00	3,490.00	-
Indian Housing Assistance	15.141	A16AV00407	-	381,807.00	381,807.00	-
Indian Housing Assistance	15.141	A20AV00003	-	481,301.00	481,301.00	-
Total Indian Housing Assistance			-	866,598.00	866,598.00	-

The Navajo Nation

Schedule of Expenditures of Federal Awards (Continued)

Fiscal Year Ended September 30, 2020

Federal Grantor / Passed Through Grantor / Program Title	CFDA Number	Grant or State Passed Through Number	Amount Passed Through to Subrecipients	Amount Expended	Total Award Expended	Total COVID-19 Award Expended
Indian Child Welfare Act Title II Grants	15.144	A14AV00258	-	75,016.00	75,016.00	-
Indian Child Welfare Act Title II Grants	15.144	A19AV00376	-	1,447,940.00	1,447,940.00	-
Total Indian Child Welfare Act Title II Grants			-	1,522,956.00	1,522,956.00	-
Land Buy-Back for Tribal Nations	15.152	D19AC00013	-	51,087.00	51,087.00	-
Cooperative Inspection Agreements with States and Tribes	15.222	L14AC00388	-	840.00	840.00	-
Cooperative Inspection Agreements with States and Tribes	15.222	L19AC00314	-	747,284.00	747,284.00	-
Total Cooperative Inspection Agreements with States and Tribes			-	748,124.00	748,124.00	-
Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	15.250	S19AP20030	-	952,654.00	952,654.00	-
Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	15.250	S20AP20056	-	335,806.00	335,806.00	-
Total Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining			-	1,288,460.00	1,288,460.00	-
Abandoned Mine Land Reclamation (AMLR)	15.252	S11AF20012	-	1,048.00	1,048.00	-
Abandoned Mine Land Reclamation (AMLR)	15.252	S12AF20000	-	1,212,549.00	1,212,549.00	-
Abandoned Mine Land Reclamation (AMLR)	15.252	S13AF20024	-	9,324.00	9,324.00	-
Abandoned Mine Land Reclamation (AMLR)	15.252	S15AF20038	-	33,622.00	33,622.00	-
Abandoned Mine Land Reclamation (AMLR)	15.252	S16AF20046	-	55,760.00	55,760.00	-
Abandoned Mine Land Reclamation (AMLR)	15.252	S17AF20054	-	74,199.00	74,199.00	-
Abandoned Mine Land Reclamation (AMLR)	15.252	S18AF20066	-	797,061.00	797,061.00	-
Abandoned Mine Land Reclamation (AMLR)	15.252	S19AF20028	-	439,978.00	439,978.00	-
Total Abandoned Mine Land Reclamation (AMLR)			-	2,623,541.00	2,623,541.00	-
Federal Oil and Gas Royalty Management State and Tribal Coordination	15.427	D16AC00001	-	760,030.00	760,030.00	-
Cultural Resources Management	15.511	R17AP00007 / R17AP00334	-	19,265.00	19,265.00	-
Indian Tribal Water Resources Development, Management, and Protection	15.519	A12AV0129 R15AC00001	-	5,500.00	5,500.00	-
Indian Tribal Water Resources Development, Management, and Protection	15.519	R15AC00053	-	154,748.00	154,748.00	-
Total Indian Tribal Water Resources Development, Management, and Protection			-	160,248.00	160,248.00	-
Upper Colorado and San Juan River Basins Endangered Fish Recovery Programs	15.529	R17AP00303	-	257,555.00	257,555.00	-
Navajo-Gallup Water Supply Project	15.552	R12AC40004	-	11,575,221.00	11,575,221.00	-
Navajo-Gallup Water Supply Project	15.552	R18AC00045	-	3,133,372.00	3,133,372.00	-
Total Navajo-Gallup Water Supply Project			-	14,708,593.00	14,708,593.00	-
Historic Preservation Fund Grants-In-Aid	15.904	P19AF00206	-	86,581.00	86,581.00	-
Total Department of the Interior			2,520,143.00	124,175,986.00	126,696,129.00	2,503,094.00
Department of Justice:						
Drug Court Discretionary Grant Program	16.585	2017-DC-BX-0049	-	(1,554.00)	(1,554.00)	-
Public Safety Partnership and Community Policing Grants	16.710	2011-HE-WX-0012	-	17,893.00	17,893.00	-
Tribal Youth Program	16.731	2017-CU-BX-0008	-	(2,303.00)	(2,303.00)	-
Total Department of Justice			-	14,036.00	14,036.00	-
Department of Labor:						
Native American Employment and Training	17.265	AB-29189-16-55-A-4	-	1,169,411.00	1,169,411.00	-
Native American Employment and Training	17.265	AB-32424-18-60-A-4	-	2,835,221.00	2,835,221.00	-
Native American Employment and Training	17.265	AB-33787-19-60-A-4	-	1,735,791.00	1,735,791.00	-
Total Native American Employment and Training			-	5,740,423.00	5,740,423.00	-
Mine Health and Safety Grants	17.600	MS-00402-19-55-4	-	12,665.00	12,665.00	-
Total Department of Labor			-	5,753,088.00	5,753,088.00	-
Department of Transportation:						
Airport Improvement Program	20.106	3-04-0051-014-2016	-	10,818.00	10,818.00	-
Airport Improvement Program	20.106	3-35-0048-004-2018	-	(2,237.00)	(2,237.00)	-
Airport Improvement Program	20.106	3-35-0049-004-2016	-	(778.00)	(778.00)	-
Airport Improvement Program	20.106	3-35-0049-005-2017	-	86,892.00	86,892.00	-
Total Airport Improvement Program			-	94,695.00	94,695.00	-
Passed through Arizona Department of Transportation:						
Airport Improvement Program	20.106	E7F2U 01C (3-04-0051-014-2016)	-	531.00	531.00	-
Total Passed through Arizona Department of Transportation			-	531.00	531.00	-
Total Airport Improvement Program			-	95,226.00	95,226.00	-
Highway Planning and Construction	20.205	693JG41930085K600A20028N48796	-	4,654,982.00	4,654,982.00	-
Highway Planning and Construction	20.205	DTFH69-13-H-00028	-	499,981.00	499,981.00	-
Highway Planning and Construction	20.205	DTFH69-14-H-00028	-	208,930.00	208,930.00	-
Highway Planning and Construction	20.205	DTFH69-15-H-00028	-	1,677,313.00	1,677,313.00	-
Highway Planning and Construction	20.205	DTFH69-16-H-00028	-	2,400,950.00	2,400,950.00	-
Highway Planning and Construction	20.205	DTFH69-17-H-00028	-	23,510,677.00	23,510,677.00	-
Highway Planning and Construction	20.205	DTFH69-18-H-00028	-	6,647,139.00	6,647,139.00	-
Total Highway Planning and Construction Cluster			-	39,599,972.00	39,599,972.00	-
Formula Grants for Rural Areas	20.509	6720-2019-1	-	512,943.00	512,943.00	-
Formula Grants for Rural Areas	20.509	AZ-18-X079	-	(821.00)	(821.00)	-
Formula Grants for Rural Areas	20.509	AZ-2018-022-00	-	30,671.00	30,671.00	-
Formula Grants for Rural Areas	20.509	AZ-2018-33-00	-	68,806.00	68,806.00	-
Formula Grants for Rural Areas	20.509	AZ-2019-034-00	-	255,804.00	255,804.00	-
Total Formula Grants for Rural Areas			-	867,403.00	867,403.00	-
Passed through Arizona Department of Transportation:						
Formula Grants for Rural Areas	20.509	2019-20 FTA SECTION 5311 AWARD	-	475,984.00	475,984.00	-
Total Passed through Arizona Department of Transportation			-	475,984.00	475,984.00	-
Passed through New Mexico Department of Transportation:						
Formula Grants for Rural Areas	20.509	NMDOT SECTION 5311	-	367,262.00	367,262.00	-
Total Passed through New Mexico Department of Transportation			-	367,262.00	367,262.00	-

The Navajo Nation

Schedule of Expenditures of Federal Awards (Continued)

Fiscal Year Ended September 30, 2020

Federal Grantor / Passed Through Grantor / Program Title	CFDA Number	Grant or State Passed Through Number	Amount Passed Through to Subrecipients	Amount Expended	Total Award Expended	Total COVID-19 Award Expended
Total Formula Grants for Rural Areas			-	1,710,649.00	1,710,649.00	-
State and Community Highway Safety	20.600	Grant Agrmt. Proj. No.PT-19-01	-	1,707.00	1,707.00	-
Total Highway Safety Cluster			-	1,707.00	1,707.00	-
Passed through State of New Mexico, McKinley County: Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	19-FEB-4039	-	(2,470.00)	(2,470.00)	-
Total Passed through State of New Mexico, McKinley County			-	(2,470.00)	(2,470.00)	-
Total Minimum Penalties for Repeat Offenders for Driving While Intoxicated			-	(2,470.00)	(2,470.00)	-
Total Department of Transportation			-	41,405,084.00	41,405,084.00	-
Department of the Treasury:						
COVID-19 - Coronavirus Relief Fund	21.019	SocSec Act S601(a) S5001 CARES	-	91,467,353.00	91,467,353.00	91,467,353.00
Total Coronavirus Relief Fund			-	91,467,353.00	91,467,353.00	91,467,353.00
Total Department of the Treasury			-	91,467,353.00	91,467,353.00	91,467,353.00
Environmental Protection Agency:						
Air Pollution Control Program Support	66.001	A-98979619	-	164.00	164.00	-
Air Pollution Control Program Support	66.001	A-98979620	-	182,146.00	182,146.00	-
Total Air Pollution Control Program Support			-	182,310.00	182,310.00	-
State Indoor Radon Grants	66.032	K1-98933019	-	30,203.00	30,203.00	-
State Public Water System Supervision	66.432	F-00961118	-	704,117.00	704,117.00	-
State Underground Water Source Protection	66.433	G-00967619	-	(3,624.00)	(3,624.00)	-
State Underground Water Source Protection	66.433	G-00967620	-	41,194.00	41,194.00	-
Total State Underground Water Source Protection			-	37,570.00	37,570.00	-
Capitalization Grants for Drinking Water State Revolving Funds	66.468	FS-99T82201	-	49,625.00	49,625.00	-
Capitalization Grants for Drinking Water State Revolving Funds	66.468	FS-99T99101	-	26,593.00	26,593.00	-
Total Drinking Water State Revolving Fund Cluster			-	76,218.00	76,218.00	-
Performance Partnership Grants	66.605	BG-00T99720	-	160,479.00	160,479.00	-
Performance Partnership Grants	66.605	BG-97923816	-	952,975.00	952,975.00	-
Performance Partnership Grants	66.605	BG-97923816-01	-	44.00	44.00	-
Total Performance Partnership Grants			-	1,113,498.00	1,113,498.00	-
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802	V-99T40401	-	49,017.00	49,017.00	-
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802	V99T53801	-	93,499.00	93,499.00	-
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802	V99T53901	-	80,690.00	80,690.00	-
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802	V-99T71601	-	18,233.00	18,233.00	-
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802	V-99T71801	-	11,631.00	11,631.00	-
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802	V-99T73101	-	18,494.00	18,494.00	-
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802	V-99T97501-1	-	9,360.00	9,360.00	-
Total Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements			-	280,924.00	280,924.00	-
Underground Storage Tank Prevention, Detection and Compliance Program	66.804	L-99T86101	-	182,251.00	182,251.00	-
Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805	LS-99T22901	-	6,334.00	6,334.00	-
Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805	LS-99T85701	-	170,036.00	170,036.00	-
Total Leaking Underground Storage Tank Trust Fund Corrective Action Program			-	176,370.00	176,370.00	-
State and Tribal Response Program Grants	66.817	RP99T68901	-	138,503.00	138,503.00	-
Total Environmental Protection Agency			-	2,921,964.00	2,921,964.00	-
Department of Energy:						
Long-Term Surveillance and Maintenance	81.136	DE-LM0000466	-	364,704.00	364,704.00	-
Total Department of Energy			-	364,704.00	364,704.00	-
Department of Education:						
Special Education Grants to States	84.027	A14AV00805	1,328,855.00	3,580,079.00	4,908,934.00	-
Special Education Grants to States	84.027	A16AV00891	-	(197,293.00)	(197,293.00)	-
Special Education Grants to States	84.027	A17AV00717	-	(1,363,387.00)	(1,363,387.00)	-
Special Education Grants to States	84.027	A18AV00835	136,001.00	302,558.00	438,559.00	-
Special Education Grants to States	84.027	A19AV00869	20,178.00	181,326.00	201,504.00	-
Special Education Grants to States	84.027	GTN00T78038	-	115.00	115.00	-
Total Special Education Cluster (IDEA)			1,485,034.00	2,503,398.00	3,988,432.00	-
Special Education-Grants for Infants and Families	84.181	A16AV00250	-	38.00	38.00	-
Special Education-Grants for Infants and Families	84.181	A17AV00717	-	926.00	926.00	-
Special Education-Grants for Infants and Families	84.181	A18AV00835	-	92,612.00	92,612.00	-
Special Education-Grants for Infants and Families	84.181	A19AV00869	-	4,291.00	4,291.00	-
Special Education-Grants for Infants and Families	84.181	GTN00T78038	-	13,895.00	13,895.00	-
Total Special Education-Grants for Infants and Families			-	111,762.00	111,762.00	-
Rehabilitation Services American Indians with Disabilities	84.250	H250L160010	-	(52,852.00)	(52,852.00)	-
Rehabilitation Services American Indians with Disabilities	84.250	H250L160010-19	-	1,316,402.00	1,316,402.00	-
Total Rehabilitation Services American Indians with Disabilities			-	1,263,550.00	1,263,550.00	-
Total Department of Education			1,485,034.00	3,878,710.00	5,363,744.00	-

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Schedule of Expenditures of Federal Awards (Continued)

Fiscal Year Ended September 30, 2020

Federal Grantor / Passed Through Grantor / Program Title	CFDA Number	Grant or State Passed Through Number	Amount Passed Through to Subrecipients	Amount Expended	Total Award Expended	Total COVID-19 Award Expended
Department of Health and Human Services:						
Passed through Arizona Department of Economic Security:						
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	D116-002154	-	274,441.00	274,441.00	-
Total Passed through Arizona Department of Economic Security			-	274,441.00	274,441.00	-
Passed through Arizona Department of Economic Security:						
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	D116-002154	-	966,021.00	966,021.00	-
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	D120-002272	-	33,577.00	33,577.00	-
Total Passed through Arizona Department of Economic Security			-	999,598.00	999,598.00	-
Nutrition Services Incentive Program	93.053	1706AZNSIT	-	16,769.00	16,769.00	-
Nutrition Services Incentive Program	93.053	2006AZDANT-00	-	3,112.00	3,112.00	-
Total Nutrition Incentive Program			-	19,881.00	19,881.00	-
Total Aging Cluster			-	1,293,920.00	1,293,920.00	-
Special Programs for the Aging, Title VI, Part A, Grants to Indian Tribes, Part B, Grants to Native Hawaiians	93.047	1706AZT6NS	-	264,617.00	264,617.00	-
Special Programs for the Aging, Title VI, Part A, Grants to Indian Tribes, Part B, Grants to Native Hawaiians	93.047	2006AZOATA-00	-	12,344.00	12,344.00	-
Total Special Programs for the Aging, Title VI, Part A, Grants to Indian Tribes, Part B, Grants to Native Hawaiians			-	276,961.00	276,961.00	-
Passed through New Mexico Aging and Long-Term Services Department:						
Special Programs for the Aging, Title VI, Part A, Grants to Indian Tribes, Part B, Grants to Native Hawaiians	93.047	19-624-4000-00107	-	(155.00)	(155.00)	-
Special Programs for the Aging, Title VI, Part A, Grants to Indian Tribes, Part B, Grants to Native Hawaiians	93.047	19-624-4000-0107	-	(40.00)	(40.00)	-
Special Programs for the Aging, Title VI, Part A, Grants to Indian Tribes, Part B, Grants to Native Hawaiians	93.047	20-624-4000-00107	-	26,818.00	26,818.00	-
Special Programs for the Aging, Title VI, Part A, Grants to Indian Tribes, Part B, Grants to Native Hawaiians	93.047	20-624-4000-0107	-	706,266.00	706,266.00	-
Total Passed through New Mexico Aging and Long-Term Services Department			-	732,889.00	732,889.00	-
Total Special Programs for the Aging, Title VI, Part A, Grants to Indian Tribes, Part B, Grants to Native Hawaiians			-	1,009,850.00	1,009,850.00	-
Passed through Arizona Department of Economic Security:						
National Family Caregiver Support, Title III, Part E	93.052	D116-002154	-	71,608.00	71,608.00	-
Total Passed through Arizona Department of Economic Security			-	71,608.00	71,608.00	-
Total National Family Caregiver Support, Title III, Part E			-	71,608.00	71,608.00	-
National Family Caregiver Support, Title VI, Part C, Grants To Indian Tribes And Native Hawaiians	93.054	1706AZT6CG	-	17,802.00	17,802.00	-
Passed through Arizona Department of Health Services:						
Public Health Emergency Preparedness	93.069	ADHS16-106695	-	101,619.00	101,619.00	-
Total Passed through Arizona Department of Health Services			-	101,619.00	101,619.00	-
Total Public Health Emergency Preparedness			-	101,619.00	101,619.00	-
Passed through University of Montana:						
Environmental Health	93.113	SUB AWARD PG-15-64424-02	-	107,331.00	107,331.00	-
Total Passed through University of Montana			-	107,331.00	107,331.00	-
Total Environmental Health			-	107,331.00	107,331.00	-
Indian Health Service Health Management Development Program	93.228	HHSI245201200008C	-	101,597.00	101,597.00	-
Indian Health Service Health Management Development Program	93.228	HHSI245201400004C	186,203.00	2,579,504.00	2,765,707.00	-
Indian Health Service Health Management Development Program	93.228	HHSI245201500002C	-	20,990.00	20,990.00	-
Total Indian Health Service Health Management Development Program			186,203.00	2,702,091.00	2,888,294.00	-
Epidemiology Cooperative Agreements	93.231	U1B1HIS0011-14-00	-	8,192.00	8,192.00	-
Epidemiology Cooperative Agreements	93.231	U1B1HIS0011-14-01	-	10,674.00	10,674.00	-
Epidemiology Cooperative Agreements	93.231	U1B1HIS0011-15-01	-	473,222.00	473,222.00	-
Total Epidemiology Cooperative Agreements			-	492,088.00	492,088.00	-
Special Diabetes Program for Indians Diabetes Prevention and Treatment Projects	93.237	H1D1HIS0199-22-00	-	2,634,693.00	2,634,693.00	-
Special Diabetes Program for Indians Diabetes Prevention and Treatment Projects	93.237	H1D1HIS0199-22-CO	-	149,248.00	149,248.00	-
Special Diabetes Program for Indians Diabetes Prevention and Treatment Projects	93.237	H1D1HIS0199-23-00	-	2,197,713.00	2,197,713.00	-
Total Special Diabetes Program for Indians Diabetes Prevention and Treatment Projects			-	4,981,654.00	4,981,654.00	-
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	1H79SM080174-01	-	7,909.00	7,909.00	-
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	3H79T1062578-01S1	-	83.00	83.00	-
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	5H79SM063490-03	-	153.00	153.00	-
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	5H79SM063490-04	-	133,853.00	133,853.00	-
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	5H79SM080174-02	-	270,734.00	270,734.00	-
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	5H79SM080174-03	-	243.00	243.00	-
Total Substance Abuse and Mental Health Services Projects of Regional and National Significance			-	412,975.00	412,975.00	-
Injury Prevention Program for American Indians and Alaskan Natives Cooperative Agreements	93.284	D261HIS0182-03-00	-	11,403.00	11,403.00	-
Passed through University of New Mexico:						
Trans-NIH Research Support	93.310	3RBL1 - Amendment	-	(70,998.00)	(70,998.00)	-
Trans-NIH Research Support	93.310	3RGH1	-	311,263.00	311,263.00	-
Total Passed through University of New Mexico			-	240,265.00	240,265.00	-
Total Trans-NIH Research Support			-	240,265.00	240,265.00	-
Indian Self-Determination	93.441	HHSI245201200008C	-	68,648.00	68,648.00	-
Indian Self-Determination	93.441	HHSI245201400004C	-	24,829,361.00	24,829,361.00	-
COVID-19 - Indian Self-Determination	93.441	HHSI245201400004C	-	243,156.00	243,156.00	243,156.00
Indian Self-Determination	93.441	HHSI245201500002C	-	572,455.00	572,455.00	-
Indian Self-Determination	93.441	HHSI245201800002C	-	12,392,092.00	12,392,092.00	-
COVID-19 - Indian Self-Determination	93.441	HHSI245201800002C	-	94,389.00	94,389.00	94,389.00
Indian Self-Determination	93.441	ISDC-NNNTC2020-2024	-	242,956.00	242,956.00	-
COVID-19 - Indian Self-Determination	93.441	ISDC-NNNTC2020-2024	-	772.00	772.00	772.00
Total Indian Self-Determination			-	38,443,829.00	38,443,829.00	338,317.00
Good Health and Wellness in Indian Country	93.479	1 NUS8DP006722-01-00	-	76,575.00	76,575.00	-
Good Health and Wellness in Indian Country	93.479	5 NUS8DP006722-02-00	-	318.00	318.00	-
Total Good Health and Wellness in Indian Country			-	76,893.00	76,893.00	-
Promoting Safe and Stable Families	93.556	G-18PGAZFPSS	-	18,148.00	18,148.00	-
Promoting Safe and Stable Families	93.556	G-18GAZPKIN	-	4,000.00	4,000.00	-
Promoting Safe and Stable Families	93.556	G-19PGAZFPSS	-	840,563.00	840,563.00	-
Promoting Safe and Stable Families	93.556	G-19GAZPKIN	-	105,000.00	105,000.00	-
Total Promoting Safe and Stable Families			-	967,711.00	967,711.00	-

The Navajo Nation

Schedule of Expenditures of Federal Awards (Continued)

Fiscal Year Ended September 30, 2020

Federal Grantor / Passed Through Grantor / Program Title	CFDA Number	Grant or State Passed Through Number	Amount Passed Through to Subrecipients	Amount Expended	Total Award Expended	Total COVID-19 Award Expended
Temporary Assistance for Needy Families	93.558	14PGAZTANF	-	25,696.00	25,696.00	-
Temporary Assistance for Needy Families	93.558	15PGAZTANF	-	2,255,754.00	2,255,754.00	-
Temporary Assistance for Needy Families	93.558	16PGAZTANF	-	6,285,493.00	6,285,493.00	-
Temporary Assistance for Needy Families	93.558	17PGAZTANF	-	16,232,957.00	16,232,957.00	-
Temporary Assistance for Needy Families	93.558	18PGAZTANF	-	(56,847.00)	(56,847.00)	-
Temporary Assistance for Needy Families	93.558	19PGAZTANF	-	707,542.00	707,542.00	-
Temporary Assistance for Needy Families	93.558	20PGAZTANF	-	10,862,268.00	10,862,268.00	-
Total Temporary Assistance for Needy Families			-	36,332,863.00	36,332,863.00	-
Child Support Enforcement	93.563	KPG02077TCSE-01-00	-	(702.00)	(702.00)	-
Child Support Enforcement	93.563	KPG02077TCSE-01-00	-	318,384.00	318,384.00	-
Child Support Enforcement	93.563	KPG03527CSE	-	2,903,457.00	2,903,457.00	-
Total Child Support Enforcement			-	3,221,139.00	3,221,139.00	-
Low-Income Home Energy Assistance	93.568	G-18JFAZLIEA	-	(1,200.00)	(1,200.00)	-
Low-Income Home Energy Assistance	93.568	G-19PGAZLIEA	-	(6,316.00)	(6,316.00)	-
Low-Income Home Energy Assistance	93.568	G-20PGAZLIEA	-	484,167.00	484,167.00	-
Total Low-Income Home Energy Assistance			-	476,651.00	476,651.00	-
Community Services Block Grant	93.569	G-18PGAZCOSR	-	46,642.00	46,642.00	-
Community Services Block Grant	93.569	G-19PGAZCOSR	-	793,499.00	793,499.00	-
Total Community Services Block Grant			-	840,141.00	840,141.00	-
Child Care and Development Block Grant	93.575	G-17PGAZCCDF	-	(5,977.00)	(5,977.00)	-
Child Care and Development Block Grant	93.575	G-18PGAZCCDF	-	616,255.00	616,255.00	-
Child Care and Development Block Grant	93.575	G-19PGAZCCDF	-	6,776,697.00	6,776,697.00	-
Total Child Care and Development Block Grant			-	7,386,975.00	7,386,975.00	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	G-17PGAZCCDF	-	(4,361.00)	(4,361.00)	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	G-18PGAZCCDF	-	273,999.00	273,999.00	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	G-19PGAZCCDF	-	2,723,438.00	2,723,438.00	-
Total Child Care Mandatory and Matching Funds of the Child Care and Development Fund			-	2,993,076.00	2,993,076.00	-
Total CCDF Cluster			-	10,380,051.00	10,380,051.00	-
Tribal Work Grants	93.594	G17ICAZNEWP	-	487,793.00	487,793.00	-
Tribal Work Grants	93.594	G18PGAZNEWP	-	366,125.00	366,125.00	-
Tribal Work Grants	93.594	G19PGAZNEWP	-	117,419.00	117,419.00	-
Total Tribal Work Grants			-	971,337.00	971,337.00	-
Head Start	93.600	90CI9889	-	11,590,312.00	11,590,312.00	-
Head Start	93.600	90CI9889-04-00	-	(1,886.00)	(1,886.00)	-
Head Start	93.600	90CI9889-05-00	-	10,682,700.00	10,682,700.00	-
Head Start	93.600	90CI9889-05-02	-	2,152,148.00	2,152,148.00	-
Head Start	93.600	90CI9889-05-4/5/6	-	498,932.00	498,932.00	-
Total Head Start Cluster			-	24,922,206.00	24,922,206.00	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-18PHAZCWSS	-	9,628.00	9,628.00	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-19PHAZCWSS	-	564,787.00	564,787.00	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-20PHAZCWSS	-	6,000.00	6,000.00	-
Total Stephanie Tubbs Jones Child Welfare Services Program			-	580,415.00	580,415.00	-
Passed through Utah Governor's Office of Economic Development: Social Services Block Grant	93.667	170473	-	21,028.00	21,028.00	-
Total Passed through Utah Governor's Office of Economic Development			-	21,028.00	21,028.00	-
Passed through New Mexico Economic Development Department: Social Services Block Grant	93.667	Agreement 19-690-15378	-	299,493.00	299,493.00	-
Total Passed through New Mexico Economic Development Department			-	299,493.00	299,493.00	-
Passed through Arizona Department of Economic Security: Social Services Block Grant	93.667	DC19000010	-	462,855.00	462,855.00	-
Total Passed through Arizona Department of Economic Security			-	462,855.00	462,855.00	-
Total Social Services Block Grant			-	783,376.00	783,376.00	-
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671	G-18PHAZFPVS	-	109,867.00	109,867.00	-
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671	G-19PHAZFPVS	-	1,174,070.00	1,174,070.00	-
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671	G-20PHAZFPVS	-	66.00	66.00	-
Total Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services			-	1,284,003.00	1,284,003.00	-
A Comprehensive Approach to Good Health and Wellness in Indian County - financed solely by Prevention and Public Health	93.762	1 NU58DP006384-01-00	-	(11,880.00)	(11,880.00)	-
A Comprehensive Approach to Good Health and Wellness in Indian County - financed solely by Prevention and Public Health	93.762	5 NU58DP000011-02-00	-	(33.00)	(33.00)	-
A Comprehensive Approach to Good Health and Wellness in Indian County - financed solely by Prevention and Public Health	93.762	5 NU58DP000011-03-00	-	741.00	741.00	-
A Comprehensive Approach to Good Health and Wellness in Indian County - financed solely by Prevention and Public Health	93.762	5 NU58DP000011-04-00	-	(744.00)	(744.00)	-
A Comprehensive Approach to Good Health and Wellness in Indian County - financed solely by Prevention and Public Health	93.762	5 NU58DP000011-05-00	-	1,758.00	1,758.00	-
A Comprehensive Approach to Good Health and Wellness in Indian County - financed solely by Prevention and Public Health	93.762	5 NU58DP006384-02-00	-	(3,494.00)	(3,494.00)	-
A Comprehensive Approach to Good Health and Wellness in Indian County - financed solely by Prevention and Public Health	93.762	5 NU58DP006384-03-00	-	183,674.00	183,674.00	-
A Comprehensive Approach to Good Health and Wellness in Indian County - financed solely by Prevention and Public Health	93.762	5 NU58DP006384-04-00	-	461.00	461.00	-
Total A Comprehensive Approach to Good Health and Wellness in Indian County - financed solely by Prevention and Public Health			-	170,483.00	170,483.00	-
Tribal Public Health Capacity Building and Quality Improvement Umbrella Cooperative Agreement	93.772	5 NU38OT000272-02-00	-	567.00	567.00	-
COVID-19 - Tribal Public Health Capacity Building and Quality Improvement Umbrella Cooperative Agreement	93.772	6 NU38OT000272-02-03	-	677,487.00	677,487.00	677,487.00
Total Tribal Public Health Capacity Building and Quality Improvement Umbrella Cooperative Agreement			-	678,054.00	678,054.00	677,487.00
Passed through Arizona Department of Health & Human Services: Maternal, Infant and Early Childhood Home Visiting Grant	93.870	ADHS16-117884	116,111.00	-	116,111.00	-
Total Passed through Arizona Department of Health & Human Services			116,111.00	-	116,111.00	-
Total Maternal, Infant and Early Childhood Home Visiting Grant			116,111.00	-	116,111.00	-

The Navajo Nation

Schedule of Expenditures of Federal Awards (Continued)

Fiscal Year Ended September 30, 2020

Federal Grantor / Passed Through Grantor / Program Title	CFDA Number	Grant or State Passed Through Number	Amount Passed Through to Subrecipients	Amount Expended	Total Award Expended	Total COVID-19 Award Expended
Tribal Maternal, Infant, and Early Childhood Home Visiting	93.872	90TH0042-01-00	-	(293.00)	(293.00)	-
Tribal Maternal, Infant, and Early Childhood Home Visiting	93.872	90TH0042-03	-	2,545.00	2,545.00	-
Tribal Maternal, Infant, and Early Childhood Home Visiting	93.872	90TH0042-04	-	323,154.00	323,154.00	-
Total Tribal Maternal, Infant, and Early Childhood Home Visiting			-	325,406.00	325,406.00	-
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898	NU58DP006311-03-00	-	577,144.00	577,144.00	-
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898	NU58DP006311-04-00	-	122,995.00	122,995.00	-
Total Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations			-	700,139.00	700,139.00	-
Demonstration Projects for Indian Health	93.933	BH16IHS0125-04-00	-	149,166.00	149,166.00	-
Demonstration Projects for Indian Health	93.933	BH16IHS0144-03-00	-	65,706.00	65,706.00	-
Demonstration Projects for Indian Health	93.933	BH16IHS0144-04-00	-	245,535.00	245,535.00	-
Total Demonstration Projects for Indian Health			-	460,407.00	460,407.00	-
Total Department of Health and Human Services			302,314.00	133,057,710.00	133,360,024.00	1,015,804.00
Corporation for National and Community Service:						
Passed through Arizona Corporation for National and Community Service:						
Foster Grandparent Program	94.011	17SFWAZ001	-	399,019.00	399,019.00	-
Foster Grandparent Program	94.011	20SFWAZ002	-	25,382.00	25,382.00	-
Total Passed through Arizona Corporation for National and Community Service			-	424,401.00	424,401.00	-
Total Foster Grandparents / Senior Companion Cluster			-	424,401.00	424,401.00	-
Total Corporation for National and Community Service			-	424,401.00	424,401.00	-
Department of Homeland Security:						
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-DR-4436 WINTER STORM 2019	-	369,409.00	369,409.00	-
Homeland Security Grant Program	97.067	EMW-2015-SS-00123	-	1,230,325.00	1,230,325.00	-
Total Department of Homeland Security			-	1,599,734.00	1,599,734.00	-
Total Federal Expenditures			4,307,491.00	420,606,302.00	424,913,793.00	94,986,251.00

The Navajo Nation

Notes to the Schedule of Expenditures of Federal Awards

Fiscal Year Ended September 30, 2020

Note 1 – Basis of Presentation

The Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal grant activity of the Navajo Nation’s primary government and is presented using the basis of accounting described in the notes to the financial statements of the Navajo Nation’s primary government. The Navajo Nation’s primary government financial statements are prepared using the modified accrual budget basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States.

The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and in accordance with the Department of Treasury’s guidance and frequently asked questions in accordance with the OMB Compliance Supplement Addendum, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown in the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Because the Schedule presents only a selected portion of the operations of the Nation, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Nation.

At September 30, 2020, the Navajo Nation’s primary government is in the process of closing various grants related to previous years, which had no receipts or expenditures during the reporting period and no accrued or deferred revenue amounts outstanding. These grants have been excluded from the Schedule.

Note 2 – 10% De Minimus Indirect Cost Rate

For fiscal year 2020, the Navajo Nation did not elect to use the 10% de minimus indirect cost rate per UG Section 200.414.

Note 3 – Commodities

For fiscal year 2020, the Navajo Nation received approximately \$4,521,041 of commodities through the Food Distribution Program, CFDA No. 10.567.

Note 4 – Donated Personal Protective Equipment (PPE) (unaudited)

For fiscal year 2020, the Navajo Nation received approximately \$1,873,639 of Personal Protective Equipment (PPE) in response to the COVID-19 pandemic. The fair market value of donated PPE at time of receipt is unaudited per OMB Compliance Supplement 2020 Addendum, Appendix VII, Other Audit Advisories.

NAVAJO NATION

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8/26/2021

Navajo Nation Council Special Session

05:17:04 PM

Amd# to Amd#

Legislation 0169-21: Accepting

PASSED

MOT Nez, R

the Audit Report of Moss Adams

SEC Halona, P

on the Basic Financial Statement
of the Navajo Nation for FY'2020

Yeas : 17

Nays : 0

Excused : 2

Not Voting : 4

Yea : 17

Begay, E
Begay, K
Begay, P
Brown
Charles-Newton

Crotty
Freeland, M
Halona, P
Nez, R

Slater, C
Smith
Stewart, W
Tso

Walker, T
Wauneka, E
Yazzie
Yellowhair

Nay : 0

Excused : 2

Tso, E

Tso, C

Not Voting : 4

Henio, J

James, V

Daniels

Tso, D

Presiding Speaker: Damon