

RESOLUTION OF THE
NAVAJO NATION COUNCIL
25th NAVAJO NATION COUNCIL - FIRST YEAR, 2023

AN ACTION

RELATING TO THE BUDGET AND FINANCE AND NAABIK'ÍYÁTI' COMMITTEES,
AND THE NAVAJO NATION COUNCIL; ACCEPTING THE AUDIT REPORT PROVIDED
BY KPMG, L.L.P. REGARDING THE NAVAJO NATION'S FINANCIAL STATEMENTS
FOR FISCAL YEAR 2022

SECTION ONE. AUTHORITY

- A. The Budget and Finance Committee is a standing committee of the Navajo Nation Council with the authority to receive and review the annual comprehensive audit of the financial accounts of the Navajo Nation by certified public accountants, and then forward such audit to the Navajo Nation Council. 2 N.N.C. § 301(B) (10).
- B. Proposed resolutions requiring final action by the Navajo Nation Council are first reviewed by the Naabik'íyáti' Committee. 2 N.N.C. § 164(A) (9).
- C. Prior to the Navajo Nation Council's deliberation on the proposed Comprehensive Budget for the upcoming fiscal year, the most recent external audit of the financial statements of the Navajo Nation is presented to the Council by the Navajo Nation's contracted external auditors. 12 N.N.C. § 840(B).

SECTION TWO. FINDINGS

- A. Navajo KPMG, L.L.P. ("KPMG"), an independent auditor contracted by the Navajo Nation, has prepared the Navajo Nation's "Basic Financial Statements With Independent Auditor's Report Thereon" for Fiscal Year 2022 ("Audit Report"). A letter from KPMG and summary of the Audit Report is attached hereto as EXHIBIT A. The Audit Report dated July 25, 2023 is attached hereto as EXHIBIT B.
- B. The Navajo Nation has received and reviewed the Audit Report, and all findings set forth therein, and finds it in the best interest of the Navajo Nation to accept the Audit Report.

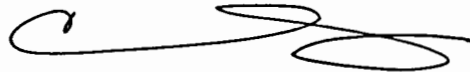
SECTION THREE. ACCEPTANCE OF AUDIT REPORT

- A. The Navajo Nation hereby accepts the letter from KPMG and its summary of the Navajo Nation's "Basic Financial Statements With Independent Auditor's Report Thereon" for Fiscal Year 2022, attached hereto as EXHIBIT A.

- B. The Navajo Nation hereby accepts the Navajo Nation's "Basic Financial Statements With Independent Auditor's Report Thereon" for Fiscal Year 2022, prepared by KPMG, L.L.P., which Audit Report is attached hereto as EXHIBIT B.

CERTIFICATION

I, hereby, certify that the foregoing resolution was duly considered by the 25th 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 16 in Favor, and 00 Opposed, on this 25th day of August 2023.



Honorable Crystalyne Curley, Speaker
25th Navajo Nation Council

8/28/23

DATE

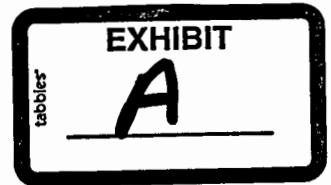
Motion: Honorable Herman M. Daniels, Jr.

Second: Honorable Eugenia Charles-Newton

Speaker Crystalyne Curley not voting



KPMG LLP
Two Park Square, Suite 700
6565 Americas Parkway, N.E.
Albuquerque, NM 87110-8179



**Independent Auditors' Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With Government Auditing Standards**

The Navajo Nation Council
The Navajo Nation:

We have audited, in accordance with the 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 basic financial statements of the governmental activities, the business-type activities, aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Navajo Nation (the Nation), as of and for the year ended September 30, 2022, and the related notes to the basic financial statements, which collectively comprise the Nation's basic financial statements, and have issued our report thereon dated July 25, 2023. Our report thereon included unmodified opinions on the grant fund, permanent fund, and the aggregate remaining fund information opinion units. Our report included a qualified opinion on the governmental activities opinion unit as the basic financial statements did not reflect the adoption of: (i) Government Accounting Standards Board (GASB) Statement No. 90, *Majority Equity Interests*, and accordingly, did not include the majority equity interests for the aggregate discretely presented components units, nor (ii) GASB Statement No. 87, *Leases*, and accordingly, did not record lease right-to-use assets, lease liabilities, lease receivables, deferred inflows of resources, and related revenues and expenses. Additionally, our report included qualified opinions on the general fund and business-type activities opinion units as the basic financial statements did not reflect the adoption of GASB Statement No. 87, *Leases*, and accordingly, did not record lease right-to-use assets, lease liabilities, lease receivables, deferred inflows of resources, and related revenues and expenses. Finally, our report included in adverse opinion on the aggregate discretely presented components units, which were excluded from the basic financial statements. Our report also included a paragraph that stated that the basic financial statements were prepared in accordance with the bases of accounting described in Note 1(d) which are a basis of accounting other than U.S. generally accepted accounting principles.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the basic 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 basic 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 were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-001 and 2022-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Nation's basic 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*.

Navajo Nation's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Nation's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The Nation's response was not subjected to the other auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on the response

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 Nation'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.

KPMG LLP

Albuquerque, New Mexico
July 25, 2023

Navajo Nation
Schedule of Findings and Questioned Costs
Year ended September 30, 2022

Finding Number: 2022-001

Entity: Navajo Nation

Finding Title: Recognition of decreases in fair value of investments in the grant fund

Type of Finding: Material weakness in internal controls

Responsible Party: Office of the Controller

Criteria

Per 2 CFR 200.1 advance payment means a payment that a Federal awarding agency or pass-through entity makes by any appropriate payment mechanism, including a predetermined payment schedule, before the non-Federal entity disburses the funds for program purposes.

Per 2 CFR 200.403(a) in order to be allowable under Federal awards costs must be necessary and reasonable for the performance of the Federal award and be allocable thereto under the cost principles of 2 CFR 200.

Condition

The Nation received advance funding on a grant agreement which was invested in allowable investment securities. During fiscal year 2022, the fair value of the investment securities decreased resulting in the recognition of unrealized losses, which is not in an allowable expense in accordance with the program. KPMG identified an error wherein the net decrease in the fair value of investments, was recorded in the grant fund along with a corresponding reduction of deferred revenue and recognition of grant revenue. As the Nation is obligated to provide services for the full amount of advance funding received, the associated investment losses should be recognized by the general fund. Management recorded this correction in the financial statements once it was identified by KPMG.

Effect

Grant fund revenue and decrease in fair value of investments were overstated by \$25.2 million while deferred revenue and due from the general fund were understated by the same amount. Additionally, the general fund decrease in fair value and due to the grant fund was understated by \$25.2 million.

Cause

Management lacked sufficient controls over the recording of unrealized gains and losses on investments held by the grant fund. The FMIS accounting system automatically posted an entry to reduce deferred revenue and record grant revenue in order to balance the fund when the unrealized investment losses were incorrectly recorded in the grant fund. These accounting matters were not timely identified and corrected during the general ledger closing process.

Auditors' Recommendation

Policies and procedures should be revised to ensure the accounting for grant fund advances is reviewed during the general ledger close out process.

Views of Responsible Official (CAP)

Management concurs with finding. Investments section in coordination with the Contract Accounting and General Accounting will oversee the update of the controls to ensure sufficient review of investment entries related to any losses to the externally funded programs are not recorded to the grants. These remediation steps will be completed by October 31, 2023.

Navajo Nation

Schedule of Findings and Questioned Costs

Year ended September 30, 2022

Finding Number:	2022-002
Entity:	Navajo Nation
Finding Title:	Recognition of settlement revenues held in escrow
Type of Finding:	Material weakness in internal controls
Responsible Party:	Office of the Controller

Criteria

Per Governmental Accounting Standards Board Codification N50, Nonexchange Transactions, a recipient in a nonexchange transaction should recognize revenues when the resources are received, provided that all eligibility requirements have been met, and the resulting net position should be reported as restricted for as long as the provider's purpose restrictions remain in effect.

Condition

The Nation entered into a legal settlement with an external party wherein the external party agreed to pay the Nation \$18.0 million in cash and deposit an additional \$10.0 million into an escrow account for the benefit and use of the Nation. The cash payment and the deposit into the escrow account were both completed prior to September 30, 2022. The Nation recorded revenue associated with the cash received but did not record the transaction associated with the funds deposited into the escrow account. As the Nation is entitled to the funds held in escrow, revenue should have been recorded when the funds were deposited into the escrow account, and an offsetting amount should have been recorded to restricted cash and cash equivalents. Management recorded this correction in the financial statements once it was identified by KPMG.

Effect

General fund and entity wide special item revenue and restricted cash and cash equivalents were understated by \$10.0 million.

Cause

Management lacked sufficient controls over the review of settlement/court orders by accounting personnel to ensure the settlement/court orders were properly accounted for and recorded in the financial records. These accounting matters were not timely identified and corrected during the general ledger closing process.

Auditors' Recommendation

Policies and procedures should be revised to ensure accounting personnel review settlements and court orders for all components to ensure proper accounting recognition.

Views of Responsible Official (CAP)

Management concurs with finding. The settlements identified shall be recorded as part of the General Revenue and reserved as restricted in the Fund Balance at year end. Funds will remain restricted until a formal plan is passed to set the use of the funds. This remediation step will be completed by October 31, 2023.



THE NAVAJO NATION
Basic Financial Statements
September 30, 2022
(With Independent Auditors' Report Thereon)

THE NAVAJO NATION

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KPMG LLP
Two Park Square, Suite 700
6565 Americas Parkway, N.E.
Albuquerque, NM 87110-8179

Independent Auditors' Report

The Navajo Nation Council
The Navajo Nation:

Report on the Audit of the Financial Statements

Adverse, Qualified, and Unmodified Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Navajo Nation (the Nation), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Nation's basic financial statements as listed in the table of contents.

Summary of Opinions

Opinion unit	Type of opinion
Governmental Activities	Qualified
Business-Type Activities	Qualified
Aggregate Discretely Presented Component Units	Adverse
General Fund	Qualified
Grant Fund	Unmodified
Permanent Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

Adverse Opinion on Aggregate Discretely Presented Component Units

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse, Qualified, and Unmodified Opinions* section of our report, the accompanying 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, 2022, or the changes in financial position for the year then ended in accordance with the basis of accounting described in Note 1(d).

Qualified Opinions on Governmental Activities, Business-Type Activities, and General Fund

In our opinion, except for the matters described in the *Basis for Adverse, Qualified, and Unmodified Opinions* section of our report, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, and the general fund of the Nation, as of September 30, 2022, and the changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the basis of accounting described in Note 1(d).



Unmodified Opinions on Grant Fund, Permanent Fund, and Aggregate Remaining Fund Information

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the grant fund, permanent fund and the aggregate remaining fund information of the Nation, as of September 30, 2022, and the respective changes in financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1(d).

Basis for Adverse, Qualified, and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Nation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse, qualified, and unmodified audit opinions.

Matters Giving Rise to 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 basis of accounting described in Note 1(d) 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 effects of not including the Nation's legally separate component units on the aggregate discretely presented component units has not been determined.

Matters Giving Rise to Qualified Opinions on the Governmental Activities, Business-Type Activities, and General Fund

Management has not adopted Governmental Accounting Standards Board (GASB) Statement No. 90, *Majority Equity Interests*, and, accordingly, has not recorded the majority equity interests in the Nation's legally separate component units in the governmental activities as required under the basis of accounting described in Note 1(d). 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.

Management has not adopted GASB Statement No. 87, *Leases*, and, accordingly, has not recorded lease right-to-use assets, lease liabilities, lease receivables, deferred inflows of resources, and related revenues and expenses in the governmental activities, business-type activities, and general fund as required under the basis of accounting described in Note 1(d). The amount by which this departure would affect the assets, liabilities, deferred inflows of resources, net position, fund balances, revenues and expenses of the governmental activities, business-type activities, and general fund financial statements has not been determined.

Emphasis of Matter – Basis of Accounting

We draw attention to Note 1(d) of the basic financial statements, which describes the basis of accounting. As described in Note 1(d) to the basic financial statements, the basic financial statements are prepared on a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the basis of accounting described in Note 1(d) and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Nation's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Nation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Nation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Nation's basic financial statements. 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 basic financial statements themselves, and other additional procedures in accordance with *Government Auditing Standards*. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Other Information

Our audit was conducted for the purpose of forming opinions on the basic financial statements as a whole. The management's discussion and analysis, the schedule of revenues, expenditures, and changes in fund balance – budget to actual – general fund (schedule 1), the schedule of changes in the net pension liability (asset) and related ratios (schedule 2), the schedule of the Nation's contributions (schedule 3), and the schedule of investment returns (schedule 4) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 2023 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.

KPMG LLP

Albuquerque, New Mexico
July 25, 2023

THE NAVAJO NATION
Management's Discussion and Analysis
September 30, 2022
(Unaudited)

As management of the Navajo Nation (Nation), we offer readers of the Nation's financial statements this overview and analysis of the financial activities of the Nation for the fiscal years ended September 30, 2022 and 2021. This document is designed to:

- Help focus the reader on significant financial issues
- Provide an overview of the Nation's financial activity
- Identify changes in the Nation's ability to address the future year operational objectives
- Identify any material deviations from the approved budget
- Identify individual fund issues or concerns.

Since the Management's Discussion and Analysis is designed to focus on the current year's activities, resulting changes, and currently known facts, we encourage it to be considered in conjunction with the Nation's financial statements. The information in these sections complements each other.

Highlights

Financial Highlights

- The net position of the Nation at the close of the most recent fiscal year is \$5.7 billion.
- Expenses of the Nation's governmental activities were \$1.232 billion for the year, which included \$138 million for health and welfare, \$747 million for general government, \$74 million for natural resources, \$92 million for community and rural development, \$71 million for education and training and \$77 million for public safety.
- As of the close of the current fiscal year, the Nation's governmental funds reported combined ending fund balance of \$4.8 billion.
- At September 30, 2022, the unassigned fund balance for the General Fund was \$220 million.
- The Nation has a significant amount of investments in the stock and bond market managed by external investment management firms. For fiscal years 2022 and 2021, the Nation's governmental funds experienced a \$832 million decrease and \$590 million increase in fair value, respectively. In addition, the fiduciary funds experienced a \$201 million decrease and \$183 million increase in fair value, respectively.
- The Nation receives a significant portion of operating revenues from oil and gas royalty payments and coal royalty payments. The governmental funds received oil and gas royalty and coal royalty payments of \$82 million in fiscal year 2022 and \$59 million in fiscal year 2021.

Overview of the Financial Statements

The Nation's basic financial statements have three components: government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains supplementary information presented just after the financial statement section.

THE NAVAJO NATION
Management's Discussion and Analysis
September 30, 2022
(Unaudited)

Government-Wide Financial Statements

The government-wide financial statements are designed to resemble those of private sector entities in that all governmental and business-type activities are consolidated into columns, which add to a total for the primary government.

The statement of net position is designed to provide asset and liability information with the difference between the two presented as net position. This statement consolidates governmental fund's current financial resources (short term, spendable resources) with capital assets and long-term obligations.

The statement of activities is focused on both the gross and net cost of various functions (including governmental and business type) that are supported by the government's general tax and other revenues. This is intended to summarize and simplify the user's analysis of the cost of various governmental services and/or subsidy to various business-type activities.

The governmental activities reflect the Nation's basic services, including public safety, education, health, 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. Natural resource revenue and taxes finance most of these services. The business-type activities reflect private sector type operations (business industrial development fund, loan fund, employee housing, archaeology services, parks and recreation, and fish and wildlife), where the fee for services typically covers all or most of the cost of operation, including depreciation.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is based upon compliance with finance-related legal requirements underlying each fund. All funds of the Nation can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on short-term sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's current financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

THE NAVAJO NATION
Management's Discussion and Analysis
September 30, 2022
(Unaudited)

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, grant, and permanent fund, all of which are considered to be major funds. The General Fund includes information from 13 separate funds, which have been combined in accordance with the requirements of GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions. Data from the other 21 funds are combined into a single column titled other governmental funds. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining financial statements. These combining financial statements follow the basic financial statements in this report.

Proprietary Funds

The Nation maintains two types of proprietary funds: enterprise and internal service. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Nation uses enterprise funds to account for activities such as its business industrial development fund, loan fund, employee housing, archaeology services, and parks and recreation operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the Nation's various functions. The Nation uses its internal services funds to account for activities such as its fleet management, duplicating services, group health self-insurance fund, office supply center, air transportation, property and casualty self-insurance fund, workers' compensation insurance fund, and contingency management fund. As these internal services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in greater detail. The enterprise funds and internal service funds are combined into aggregated columns on the proprietary fund's financial statements, as no enterprise or internal service funds are identified as major. Individual fund data for the enterprise and internal services funds are provided in the form of combining statements that follow the basic financial statements in this report.

While the total column on the business-type fund financial statements for enterprise funds is the same as the business-type column at the government-wide financial statements, the governmental major funds total column requires reconciliation because of the different measurement focus. The flow of current financial resources will reflect interfund transfers as other financial sources as well as capital expenditures and principal payments as expenditures. The reconciliation will eliminate these transactions and incorporate the capital assets and long-term obligations into the governmental activity's column in the government-wide statements.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Nation's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Basic Financial Statements

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

THE NAVAJO NATION
Management's Discussion and Analysis
September 30, 2022
(Unaudited)

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information regarding the Nation's budgetary results. Other supplementary information can be found following the basic financial statements in this report.

The combining statements referred to earlier in connection with nonmajor governmental funds, proprietary funds, and fiduciary funds are presented immediately following the required supplementary information.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the government's financial position. In the case of the Nation, assets exceeded liabilities by \$5.7 billion at September 30, 2022 as compared to \$6.3 billion at September 30, 2021.

The largest portion of the Nation's assets is cash and investments, which are managed by the Nation and managers selected by the Nation. The Nation uses the return on these investments to provide service to citizens. Earnings on the permanent fund investments became available to support operations of the Nation's government starting October 1, 2005. The Navajo Nation Council recently approved an expenditure plan for use of 95% of the permanent fund income (interest and dividends).

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. The permanent fund's non-spendable fund balance of \$2.7 billion and \$3.2 billion represents 98% of all non-expendable net position as of September 30, 2022 and 2021.

	The Nation's net position					
	Governmental activities			Business-type activities		
	2022	2021	Change	2022	2021	Change
	(In thousands)					
Current and other assets	\$ 7,275,653	8,533,509	(1,257,856)	139,877	127,563	12,314
Capital assets	767,061	717,647	49,414	25,603	24,741	862
Deferred outflow of resources, pensions	104,218	3,044	101,174	2,442	66	2,376
Total assets and deferred outflows	\$ 8,146,932	9,254,200	(1,107,268)	167,922	152,370	15,552
Long-term liabilities	\$ 238,459	68,094	170,365	4,320	220	4,100
Other liabilities	2,364,536	2,926,194	(561,658)	2,664	2,188	476
Deferred inflow of resources, pensions	—	132,466	(132,466)	—	2,858	(2,858)
Total liabilities and deferred inflows	\$ 2,602,995	3,126,754	(523,759)	6,984	5,266	1,718
Net position:						
Net investment in capital assets	\$ 730,495	677,428	53,067	25,603	24,741	862
Restricted	3,179,232	3,704,910	(525,678)	—	—	—
Unrestricted	1,634,210	1,745,108	(110,898)	135,335	122,363	12,972
Total net position	\$ 5,543,937	6,127,446	(583,509)	160,938	147,104	13,834

THE NAVAJO NATION
Management's Discussion and Analysis
September 30, 2022
(Unaudited)

Analysis of the Nation's Operations

The following table provides a summary of the Nation's operations for the years ended September 30, 2022 and 2021. Governmental activities decreased the Nation's net position by \$583 million in 2022 compared to an increase of \$1,134 million in 2021. The 2022 decrease is largely due to \$832 million in net decrease in fair value of investments, \$140 million in interest and dividends, and \$65 million in special item – claim settlements in the governmental funds. The 2021 increase is largely due to \$590 million unrestricted investment income revenue and \$146 million in interest and dividends. Certain investment earnings and losses are directly related to specific governmental functions. The fiscal year 2022 net decrease in fair value of investments was recorded in charges for services which resulted in a large decrease in this revenue category.

Royalties from the sales of oil and gas and sale of coal comprise \$82 million of program revenues – charges for services. In fiscal year 2022, the General Fund budget was set to a conservative level so that the Nation could manage adjustments in market conditions, including the prior year closure of the Navajo Generating Station (NGS) and attempts to control expenditures.

The Nation averaged \$963 million of external funding through grants and contracts for each of the past two years. The largest portion of that funding is for general government for FY2022 and FY2021. The general government expenditures include the hardship assistance provided. The Nation received \$961 million of external funding in 2022 compared to \$966 million of external funding in 2021.

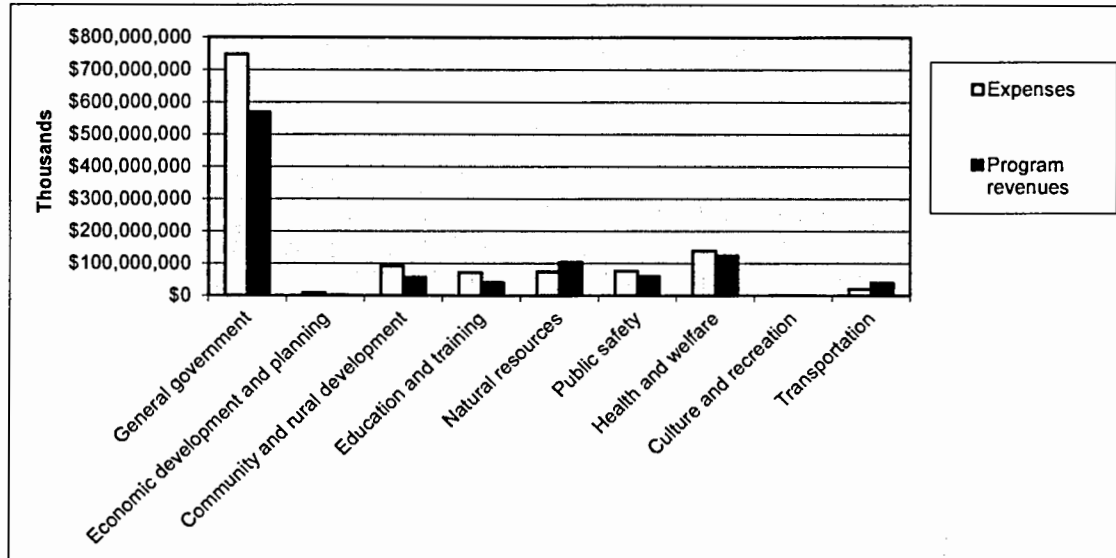
The Nation's changes in net position						
Governmental activities			Business-type activities			
2022	2021	Change	2022	2021	Change	
(In thousands)						
Revenues:						
Program revenues:						
Charges for services	\$ 35,032	206,877	(171,845)	18,700	8,266	10,434
Operating grants and contributions	914,533	891,203	23,330	—	—	—
Capital grants and contributions	46,339	74,586	(28,247)	—	—	—
General revenues:						
Taxes:						
Business activity	9,534	6,138	3,396	—	—	—
Possessory interest	19,836	23,003	(3,167)	—	—	—
Sales	70,851	71,986	(1,135)	—	—	—
Other	20,621	16,648	3,973	—	—	—
Unrestricted investment income	(608,407)	656,874	(1,265,281)	110	1	109
Land, buildings, business site, and right-of-way lease	75,618	69,059	6,559	—	—	—
Total revenues	583,957	2,016,374	(1,432,417)	18,810	8,267	10,543

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The Nation's changes in net position						
	Governmental activities			Business-type activities		
	2022	2021	Change	2022	2021	Change
	(In thousands)					
Expenses:						
General government	\$ 747,478	614,671	132,807	—	—	—
Economic development and planning	8,827	5,247	3,580	—	—	—
Community and rural development	91,873	92,519	(646)	—	—	—
Education and training	71,256	71,620	(364)	—	—	—
Natural resources	74,212	97,034	(22,822)	—	—	—
Public safety	76,521	72,454	4,067	—	—	—
Health and welfare	138,274	221,403	(83,129)	—	—	—
Culture and recreation	1,065	1,676	(611)	—	—	—
Transportation	20,502	18,495	2,007	—	—	—
Interest on long-term debt	2,092	2,023	69	—	—	—
Business Industrial Development Fund	—	—	—	1,205	2,410	(1,205)
Credit Services	—	—	—	634	139	495
Navajo Nation Housing	—	—	—	710	788	(78)
Parks and Recreation	—	—	—	4,947	4,604	343
Fish and Wildlife	—	—	—	1,937	2,017	(80)
Navajo Transit	—	—	—	4	1	3
Livestock Custody	—	—	—	49	29	20
Fourth of July	—	—	—	—	—	—
Annual Navajo Nation Fair	—	—	—	356	504	(148)
Tribal Ranch	—	—	—	(76)	459	(535)
Veterinary Medical Sales Fund	—	—	—	114	264	(150)
Colorado Ranch	—	—	—	720	703	17
Total expenses	1,232,100	1,197,142	34,958	10,600	11,918	(1,318)
Increase (decrease) in net assets before transfers, and Special item	(648,143)	819,232	(1,467,375)	8,210	(3,651)	11,861
Transfers	(863)	(1,138)	275	863	1,138	(275)
Statutory allocations	—	—	—	4,761	4,831	(70)
Special item – claims settlement	65,497	25,430	40,067	—	—	—
Change in net position	(583,509)	843,524	(1,427,033)	13,834	2,318	11,516
Net position, beginning	6,127,446	5,283,922	843,524	147,104	144,786	2,318
Net position, end of year	\$ 5,543,937	6,127,446	(583,509)	160,938	147,104	13,834

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2022 Expenses and Program Revenues – Governmental Activities



Financial Analysis of the Government's Funds

Governmental Funds

The focus of the Nation's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Nation's financing requirements. In particular, the unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the Nation's governmental funds reported combined ending fund balance of \$4.8 billion. Approximately, 95% of this total amount is reserved to indicate that it is not available for new spending because it is non-spendable, restricted, committed, and/or assigned.

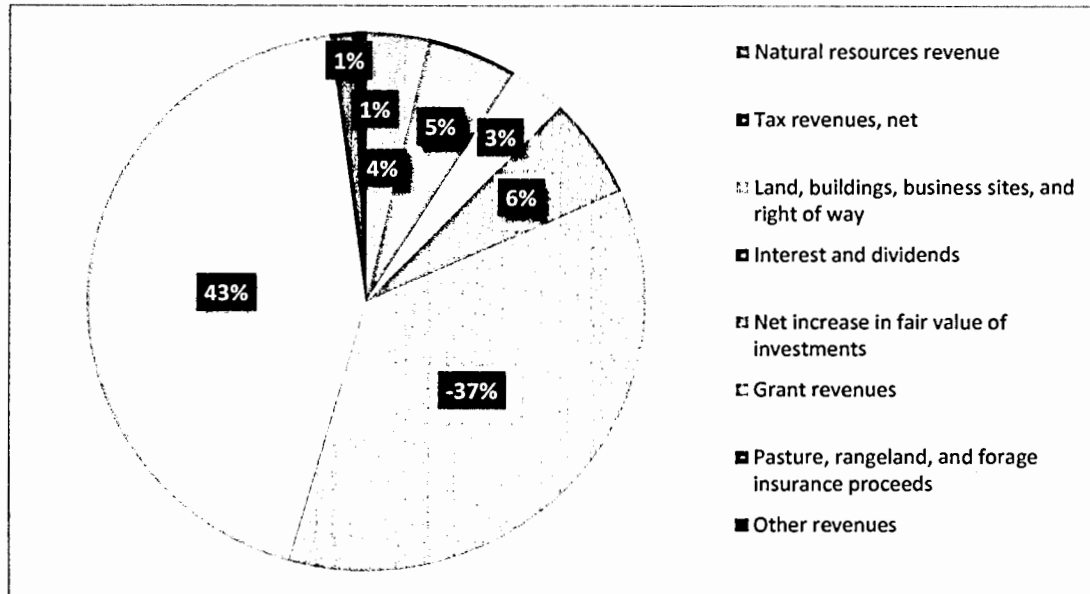
The General Fund's expenditures exceeded revenues by \$154 million during 2022.

At September 30, 2022, the Grant Fund recorded unearned revenue of \$2.3 billion. This amount represents advances on federal grants, that have not been spent for their intended purpose in accordance with the grant document. These advances are restricted, and the Nation expects to fully utilize the funds in accordance with the original award.

The Permanent Fund's fund balance decreased \$508 million during the year ended September 30, 2022. The fund has a net decrease in fair value of investments of \$565 million and interest and dividends of \$93 million. In addition, statutory allocations revenues of \$34 million were added to the fund this year.

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2022 Revenue by Source – Governmental Funds



Proprietary Funds

The Nation's proprietary fund statements provide the same type of information found in the government-wide financial statements but in more detail. For the year ended September 30, 2022, enterprise fund net position increased \$14 million and internal service fund net position increased \$9 million.

General Fund Budgetary Highlights

- The Nation approved appropriations for fiscal year 2022 expenditures of \$263 million. This amount included an initial operating budget of \$220 million and supplemental appropriations approved during the year for various purposes of \$43 million.
- Total net revenues of \$190 million exceeded the original projection of \$154 million by \$36 million.
- On a budgetary basis, expenditures exceeded revenues by approximately \$27 million before \$36 million in transfers.

Capital Assets

The Nation's capital assets for its governmental and business-type activities as of September 30, 2022 amounts to \$793 million (net of accumulated depreciation). This includes land, building, equipment, improvements, infrastructure, and construction in progress.

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The construction in progress of \$74 million increased from the prior year balance of \$27 million, which was attributable to the construction of infrastructure waterline, road building and broadband network projects.

	Governmental activities		Business-type activities	
	2022	2021	2022	2021
Land and land development	\$ 125,307	122,149	965	963
Construction in progress	74,436	26,857	911	11
Buildings and improvements	681,202	664,354	35,254	34,776
Vehicles	151,035	149,599	695	808
Equipment	140,596	126,363	1,451	1,353
Furniture and fixtures	4,611	7,174	—	—
Accumulated depreciation	(410,126)	(378,849)	(13,673)	(13,170)
Total	\$ 767,061	717,647	25,603	24,741

Additional information on the Nation's capital assets can be found in note 4.

Debt Administration

At September 30, 2022, the Nation had the following debt:

Outstanding debt at year-end – notes payable, bond payable, and bond premium				
	Governmental activities		Business-type activities	
	2022	2021	2022	2020
Notes payable	\$ —	318	—	—
Bond payable	35,585	38,695	—	—
Bond premium	981	1,205	—	—
Total	\$ 36,566	40,218	—	—

Additional information on the Nation's long-term debt can be found in note 8.

THE NAVAJO NATION
Management's Discussion and Analysis
September 30, 2022
(Unaudited)

Economic Factors and Next Year's Budget and Rates

- The Nation's operating budget is based on estimated revenue projections. Through June 2023, the Nation's actual revenues were at 97.03% of projected fiscal year 2023 revenues.
- Fluctuation in the markets for oil and gas prices and coal prices will impact the Nation's overall revenues. The economic conditions in the United States with interest rate increases from the Federal Reserve will have a significant impact on the revenues which look to increase for the Navajo Nation.
- In fiscal year 2022, a new five-year expenditure plan via Navajo Nation Council resolution CAP-30-21 was passed to spend the derived income in the Permanent Fund. The first year and second year (FY 2022 and 2023) have been completed, the third year (FY 2024) has an amount of \$61,555,000 approved. An amount of \$40,000,000 will be transferred to the General Fund to help fund operations. The additional \$21,555,000 will be available for any other needs that the Navajo Nation leadership deems necessary.

Request for Information

The Nation's financial report is designed to provide citizens, customers, investors, and creditors with a general overview of the Nation's finances. If you have questions about this report or need any additional information, contact the Office of the Controller, Attention: Elizabeth Begay, Interim Controller, at:

P.O. Box 3150
Window Rock, Arizona 86515
928-871-6308

elizabeth.begay@nnooc.org

THE NAVAJO NATION
Statement of Net Position
Modified Budget Basis
September 30, 2022

Assets and Deferred Outflows Assets	Primary government		
	Governmental activities	Business-type activities	Total
Pooled cash and investments (note 2)	\$ 1,488,326,710	—	1,488,326,710
Cash and cash equivalents (note 2)	37,743,509	120,605,538	158,349,047
Investments (note 2)	6,666,260	14,839,465	21,505,725
Accounts and notes receivable, net (note 3)	126,773,996	4,432,370	131,206,366
Accrued interest receivable	10,151,292	—	10,151,292
Other assets	5,839,128	—	5,839,128
Restricted assets:			
Pooled cash and investments (note 2)	5,242,333,150	—	5,242,333,150
Cash and cash equivalents (note 2)	57,258,749	—	57,258,749
Investments (note 2)	55,813,887	—	55,813,887
Accounts and notes receivable, net (note 3)	195,568,878	—	195,568,878
Accrued interest receivable	28,509,018	—	28,509,018
Other assets	20,668,830	—	20,668,830
Capital assets (note 4):			
Land and construction in progress	199,742,885	1,875,953	201,618,838
Buildings and equipment, net of accumulated depreciation	567,318,274	23,726,805	591,045,079
Total capital assets	767,061,159	25,602,758	792,663,917
Total assets	8,042,714,566	165,480,131	8,208,194,697
Deferred Outflows			
Pension-related outflows	104,218,347	2,441,574	106,659,921
Total deferred outflows of resources	104,218,347	2,441,574	106,659,921
Total assets and deferred outflows	\$ 8,146,932,913	167,921,705	8,314,854,618
Liabilities			
Accounts payable and accrued liabilities (note 6)	\$ 75,200,798	2,663,691	77,864,489
Unearned revenue (note 7)	2,289,336,337	—	2,289,336,337
Long-term liabilities (note 8):			
Due within one year	29,575,906	262,721	29,838,627
Due in more than one year	35,704,347	—	35,704,347
Net pension liability (note 9)	173,178,828	4,057,149	177,235,977
Total long-term liabilities	238,459,081	4,319,870	242,778,951
Total liabilities	2,602,996,216	6,983,561	2,609,979,777
Net Position			
Net investment in capital assets	730,494,668	25,602,758	756,097,426
Expendable restricted assets:			
Restricted for community and rural development	211,920,784	—	211,920,784
Restricted for economic development and loans	8,961,186	—	8,961,186
Restricted for education	75,191,408	—	75,191,408
Restricted for claims and refunds	95,963,428	—	95,963,428
Nonexpendable restricted assets:			
Restricted for future government operations	2,728,413,412	—	2,728,413,412
Restricted for chapter activities	58,781,824	—	58,781,824
Unrestricted	1,634,209,987	135,335,386	1,769,545,373
Total net position	5,543,936,697	160,938,144	5,704,874,841
Total liabilities and net position	\$ 8,146,932,913	167,921,705	8,314,854,618

See accompanying notes to basic financial statements.

THE NAVAJO NATION
Statement of Activities
Modified Budget Basis
Year ended September 30, 2022

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	\$ 747,477,943	(58,822,200)	626,890,172	1,467,941	(177,942,030)	—	(177,942,030)
Economic development and planning	8,826,698	623,715	—	73,683	(8,129,320)	—	(8,129,320)
Community and rural development	91,872,886	21,281,118	29,111,139	6,592,556	(34,888,173)	—	(34,888,173)
Education and training	71,256,424	(13,441,338)	54,532,935	57,167	(30,107,860)	—	(30,107,860)
Natural resources	74,212,318	84,039,283	17,737,352	2,175,311	29,739,608	—	29,739,608
Public safety	76,521,240	1,064,687	54,010,951	4,621,279	(16,824,323)	—	(16,824,323)
Health and welfare	138,273,530	88,692	122,686,462	1,601,231	(13,899,145)	—	(13,899,145)
Culture and recreation	1,064,989	164,227	588	—	(900,174)	—	(900,174)
Transportation	20,501,631	35,940	9,562,657	29,749,493	18,846,459	—	18,846,459
Interest on long-term debt	2,092,009	—	—	—	(2,092,009)	—	(2,092,009)
Total governmental activities	1,232,099,768	35,032,104	914,532,258	46,338,641	(236,196,767)	—	(236,196,767)
Business-type activities:							
Business Industrial Development Fund	1,204,892	2,083,668	—	—	—	678,776	878,776
Loan Fund	634,058	301,518	—	—	—	(332,540)	(332,540)
Employee Housing	709,600	1,030,577	—	—	—	320,977	320,977
Parks and Recreation	4,946,880	12,161,127	—	—	—	7,214,247	7,214,247
Fish and Wildlife	1,936,559	943,542	—	—	—	(983,017)	(983,017)
Navajo Nation Code	—	4,032	—	—	—	4,032	4,032
Navajo Transit Fund	4,355	169	—	—	—	(4,186)	(4,186)
Livestock Custody	49,141	239,528	—	—	—	190,387	190,387
Fourth of July Celebration Fund	—	42,163	—	—	—	42,163	42,163
Annual Navajo Nation Fair	356,114	635,939	—	—	—	479,825	479,825
Tribal Ranch	(75,660)	161,592	—	—	—	237,252	237,252
Veterinary Medical Sales Fund	114,209	343,021	—	—	—	228,812	228,812
Colorado Ranch	719,846	553,279	—	—	—	(166,567)	(166,567)
Total business-type activities	10,599,994	18,700,155	—	—	—	8,100,161	8,100,161
	\$ 1,242,699,762	53,732,259	914,532,258	46,338,641	(236,196,767)	8,100,161	(228,096,606)
General Revenue and Transfers							
Taxes (note 10):							
Business activity					9,534,052	—	9,534,052
Possessory interest					19,836,479	—	19,836,479
Fuel excise					10,613,600	—	10,613,600
Oil and gas severance					6,557,939	—	6,557,939
Sales					70,850,561	—	70,850,561
Tobacco products					184,733	—	184,733
Hotel occupancy					1,165,616	—	1,165,616
Junk food tax					2,031,148	—	2,031,148
Alcohol tax					68,074	—	68,074
Unrestricted investment income					(608,406,636)	109,745	(608,296,891)
Statutory allocation					—	4,761,012	4,761,012
Land, buildings, business site, and right-of-way lease					75,618,437	—	75,618,437
Transfers					(863,368)	863,368	—
Special item – claim settlements					65,496,689	—	65,496,689
Total general revenues and transfers					(347,312,674)	5,734,125	(341,578,549)
Change in net position					(583,509,441)	13,834,286	(569,675,155)
Net position, beginning of year					6,127,446,138	147,103,858	6,274,549,996
Net position, end of year					\$ 5,543,936,697	160,938,144	5,704,874,841

See accompanying notes to basic financial statements.

THE NAVAJO NATION

Balance Sheet – Governmental Funds

Modified Accrual Budget Basis

September 30, 2022

Assets	General funds (Schedule 5)	Grant fund	Permanent fund	Other governmental funds	Total governmental funds
Pooled cash and investments (including \$5,543,061 of pledged securities) (note 2)	\$ 1,108,921,208	2,228,527,530	2,661,027,373	742,183,749	6,740,659,860
Accounts receivable, net	16,745,176	128,128	—	7,790	16,881,094
Accrued interest receivable	3,777,629	2,014,146	24,370,422	8,453,194	38,615,391
Notes receivable (note 3)	70,954,890	—	136,384,851	53,992,616	261,332,357
Receivable from grantors	—	40,623,508	—	—	40,623,508
Due from the General Fund	—	25,210,983	—	—	25,210,983
Other assets	5,537,446	20,668,830	—	—	26,206,276
Total assets	\$ 1,205,936,349	2,317,173,125	2,821,782,646	804,637,349	7,149,529,469
Liabilities and Fund Balances					
Liabilities:					
Accounts payable (note 6)	\$ 8,991,953	18,879,051	1,962,834	6,701,754	36,535,592
Accrued liabilities (note 6)	20,686,851	14,578,077	373,835	—	35,638,763
Due to the Grant Fund	25,210,983	—	—	—	25,210,983
Unearned revenue (note 7)	5,546,048	2,283,715,997	58,293	—	2,289,320,338
Total liabilities	60,435,835	2,317,173,125	2,394,962	6,701,754	2,386,705,676
Fund balances:					
Nonspendable:					
Permanent fund principal	—	—	2,592,028,561	58,781,824	2,650,810,385
Long-term receivable	70,954,890	—	136,384,851	53,992,616	261,332,357
Spendable:					
Restricted for:					
Economic development loans	8,961,186	—	—	—	8,961,186
Community and rural development	10,000,000	—	—	—	10,000,000
Education	—	—	—	70,485,032	70,485,032
Special projects	—	—	—	41,647,656	41,647,656
Other capital projects	142,531,359	—	—	7,471,605	150,002,964
Committed for:					
Other capital projects	524,294,691	—	90,974,272	213,923,654	829,192,617
COVID-19 donations	6,922,445	—	—	—	6,922,445
Other purposes	144,226,780	—	—	351,633,208	495,859,988
Assigned to:					
Other purposes	17,447,378	—	—	—	17,447,378
Unassigned	220,161,785	—	—	—	220,161,785
Total fund balances	1,145,500,514	—	2,819,387,684	797,935,595	4,762,823,793
Total liabilities and fund balances	\$ 1,205,936,349	2,317,173,125	2,821,782,646	804,637,349	
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.					763,558,146
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).					140,161,317
Amounts presented in the statement of net position relating to net pension outflows					102,184,189
Some liabilities, including long-term debt, are not due and payable in the current period and, therefore, are not reported in the governmental funds:					
Bond payable					(35,585,000)
Bond premium					(981,491)
Net pension liability					(169,798,686)
Compensated absences					(18,425,571)
Net position of governmental activities					\$ 5,543,936,697

See accompanying notes to basic financial statements.

THE NAVAJO NATION

Statement of Revenues, Expenditures, and Changes in
Fund Balances – Governmental Funds

Modified Accrual Budget Basis

Year ended September 30, 2022

	General funds (Schedule 6)	Grant fund	Permanent fund	Other governmental funds	Total governmental funds
Revenues					
Natural resource revenue:					
Oil and gas	\$ 40,118,240	—	—	—	40,118,240
Mining	41,961,423	—	—	—	41,961,423
Tax revenue, net (note 10)	93,306,675	—	—	27,535,529	120,842,204
Land, buildings, business site, and right-of-way revenue	74,848,952	—	—	769,485	75,618,437
Grant revenue	—	951,045,935	—	—	951,045,935
Interest and dividends	24,997,485	9,824,962	92,822,772	12,444,518	140,089,737
Net decrease in fair value of investments	(159,170,147)	—	(564,541,142)	(108,514,419)	(832,225,708)
Pasture, rangeland, and forage insurance proceeds	30,094,271	—	—	—	30,094,271
Other revenue	8,080,200	—	702,310	10,145,561	18,928,071
Statutory allocation to permanent fund	(30,685,606)	—	33,699,849	(3,014,243)	—
Statutory allocation of current year revenues	(39,580,310)	—	—	34,819,298	(4,761,012)
Total revenues	83,971,183	960,870,897	(437,316,211)	(25,814,271)	581,711,598
Expenditures					
Current:					
General government	85,780,240	626,890,172	8,552,146	21,902,044	743,124,602
Economic development and planning	5,142,202	—	2,400,000	195,453	7,737,655
Community and rural development	43,038,121	29,111,139	11,465,221	2,172,329	85,786,810
Education and training	10,025,154	54,532,935	—	5,445,171	70,003,260
Natural resources	48,333,845	17,737,352	1,552,913	3,822,226	71,446,336
Public safety	9,662,011	54,010,951	—	4,787,691	68,460,653
Health and welfare	13,707,988	122,686,462	—	1,148,128	137,542,578
Culture and recreation	853,340	588	—	—	853,928
Transportation	—	9,562,657	—	3,682,751	13,245,408
Debt service – principal	318,164	—	—	3,110,000	3,428,164
Debt service – interest	1,716	—	—	2,090,293	2,092,009
Capital outlay	21,401,763	46,338,641	5,342,644	11,912,420	84,995,468
Total expenditures	238,264,544	960,870,897	29,312,924	60,268,506	1,288,716,871
Excess of expenditures over revenues	(154,293,361)	—	(466,629,135)	(86,082,777)	(707,005,273)
Other Financing Sources (Uses)					
Transfers (note 5)	38,008,900	—	(41,366,131)	2,347,533	(1,009,698)
Total other financing sources (uses)	38,008,900	—	(41,366,131)	2,347,533	(1,009,698)
Special Items					
Claim settlements	65,496,689	—	—	—	65,496,689
Total special items	65,496,689	—	—	—	65,496,689
Net change in fund balances (Exhibit E)	(50,787,772)	—	(507,995,266)	(83,735,244)	(642,518,282)
Fund balance, beginning of year	1,196,288,286	—	3,327,382,950	881,670,839	5,405,342,075
Fund balance, end of year	\$ 1,145,500,514	—	2,819,387,684	797,935,595	4,762,823,793

See accompanying notes to basic financial statements.

THE NAVAJO NATION

Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities

Modified Accrual Budget Basis

Year ended September 30, 2022

Net change in fund balances – governmental funds (Exhibit D)		\$ (642,518,282)
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	\$ 86,338,939	
Depreciation expense	<u>(34,985,242)</u>	
		51,353,697
Net pension liability does not require the use of current financial resources and, therefore, are not reported in the governmental funds.		(229,983,953)
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.		99,195,494
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		3,428,164
Bond premium amortization expense does not require the use of current financial resources and, therefore, is not reported as expenditure in the governmental funds.		223,709
Compensated absences do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		(4,429,348)
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.		130,056,632
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>9,164,446</u>
Change in net position of governmental activities (Exhibit B)		<u>\$ (583,509,441)</u>

See accompanying notes to basic financial statements.

THE NAVAJO NATION
Statement of Net Position
Proprietary Funds
Modified Budget Basis
September 30, 2022

Exhibit F

	Business-type activities – enterprise funds	Governmental activities – Internal service funds
Assets and Deferred Outflow of Resources		
Current assets:		
Cash and cash equivalents (note 2)	\$ 120,605,538	85,002,258
Investments (note 2)	14,839,465	62,480,147
Receivables:		
Accrued interest receivable	—	44,919
Accounts receivable, net	2,791	3,505,915
Current portion of notes receivable (note 3)	742,733	—
Inventory	—	301,682
Total receivables	745,524	3,852,516
Total current assets	136,190,527	151,334,921
Noncurrent assets:		
Receivables:		
Notes receivable, net (note 3)	3,686,846	—
Capital assets (note 4):		
Construction in progress	910,496	17,197
Land and land development costs	965,457	—
Buildings	35,254,157	373,739
Vehicles	—	44,369,483
Equipment	2,145,619	6,642,268
Total capital assets	39,275,729	51,402,687
Accumulated depreciation	13,672,971	47,899,674
Capital assets, net	25,602,758	3,503,013
Total noncurrent assets	29,289,604	3,503,013
Pension related outflows	2,441,574	2,034,158
Total deferred outflow of resources	2,441,574	2,034,158
Total assets and deferred outflows	\$ 167,921,705	156,872,092
Liabilities and Net Position		
Current liabilities:		
Accounts payable (note 6)	\$ 599,279	2,513,134
Accrued liabilities (note 6)	2,064,412	513,309
Unearned revenue (note 7)	—	15,999
Current portion of compensated absences (note 8)	262,721	286,278
Current estimated claims and judgements payable (note 8)	—	7,426,286
Total current liabilities	2,926,412	10,755,006
Noncurrent liabilities:		
Estimated claims and judgements payable (note 8)	—	2,575,627
Net pension liability (note 9)	4,057,149	3,380,142
Total noncurrent liabilities	4,057,149	5,955,769
Total liabilities	6,983,561	16,710,775
Net position:		
Net investment in capital assets	25,602,758	3,503,013
Expendable restricted net position – restricted for claims and refunds	—	95,963,428
Unrestricted	135,335,386	40,694,876
Total net position	160,938,144	140,161,317
Total liabilities and net position	\$ 167,921,705	156,872,092

See accompanying notes to basic financial statements.

THE NAVAJO NATION

Statement of Revenues, Expenses, and Changes in Fund Net Position

Proprietary Funds

Modified Budget Basis

Year ended September 30, 2022

	Business-type activities – enterprise funds	Governmental activities – internal service funds
Operating revenues:		
Rental income	\$ 3,093,948	—
Interest income – notes receivable	270,472	—
Insurance premium income	—	57,441,357
Charges for services	14,406,163	11,527,485
Other income	929,572	783,685
Total operating revenues	18,700,155	69,752,527
Operating expenses:		
Personnel	5,860,936	4,903,168
Travel, per diem, and vehicle	609,472	283,203
Supplies	801,796	6,038,027
Cost of goods sold	—	247,327
Contractual service	614,452	4,842,505
Lease, telephone, and utilities	467,742	184,521
Repairs and maintenance	480,060	297,105
Recovery of bad debts	(427,024)	—
Depreciation expense	616,519	2,274,436
Benefits and claims	—	29,594,352
Reinsurance premiums	48,347	9,289,120
Other expenses	1,527,694	265,043
Total operating expenses	10,599,994	58,218,807
Operating income	8,100,161	11,533,720
Nonoperating revenues:		
Interest and dividends	69,203	468,027
Net increase (decrease) in fair value of investments	40,542	(2,983,631)
Statutory allocations	4,761,012	—
Total nonoperating revenues	4,870,757	(2,515,604)
Nonoperating revenues, net	4,870,757	(2,515,604)
Income before transfers	12,970,918	9,018,116
Transfers (note 5)	863,368	146,330
Change in net position	13,834,286	9,164,446
Net position, beginning of year	147,103,858	130,996,871
Net position, end of year	\$ 160,938,144	140,161,317

See accompanying notes to basic financial statements.

THE NAVAJO NATION
Statement of Cash Flows
Proprietary Funds
Modified Budget Basis
Year ended September 30, 2022

	Business-type activities – enterprise funds	Governmental activities – internal service funds
Cash flows from operating activities:		
Receipts from customers	\$ 18,328,251	11,472,171
Cash received for premiums from the government	—	31,471,401
Cash received from others for premiums	—	22,665,575
Receipt of interest on loans	270,472	—
Payments to employees for services	(5,672,157)	(4,759,382)
Payments of claims	—	(33,222,188)
Payments to suppliers	(1,085,636)	(6,609,491)
Payments to third parties for services	(1,392,677)	(13,925,461)
Other (expenses) receipts	(1,016,263)	697,047
Net cash provided by operating activities	<u>9,431,990</u>	<u>7,789,672</u>
Cash flows from capital and related financing activity:		
(Acquisition) of capital assets	(1,478,603)	(381,432)
Sale of capital assets	—	46,223
Net cash used in capital and related financing activity	<u>(1,478,603)</u>	<u>(335,209)</u>
Cash flows from noncapital and related financing activity:		
Statutory allocation	4,761,012	—
Transfer	863,368	146,330
Net cash provided by noncapital and related financing activity	<u>5,624,380</u>	<u>146,330</u>
Cash flows from investing activities:		
Purchase of investments	(66,598,739)	(112,512,947)
Sales of investments	58,116,579	117,806,042
Interest on investment and cash balances	69,203	465,748
Net cash (used in) provided by investing activities	<u>(8,412,957)</u>	<u>5,758,843</u>
Net increase in cash and cash equivalents	5,164,810	13,359,636
Cash and cash equivalents, beginning of year	115,440,728	71,642,622
Cash and cash equivalents, end of year	<u>\$ 120,605,538</u>	<u>85,002,258</u>
Reconciliation of operating income to net cash from operating activities:		
Operating income	\$ 8,100,161	11,533,720
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation expense	616,519	2,274,436
Provision for bad debts	(427,024)	—
Decrease (increase) in accounts receivable	559,866	(3,446,333)
Increase in inventories	—	(114,334)
Increase in notes receivable	(82,003)	—
Increase in deferred outflows	(2,375,910)	(1,978,800)
Increase in accounts payable and accrued liabilities	475,693	1,026,233
Increase in net pension liability	5,379,467	4,494,920
Increase in compensated absences	42,672	36,628
Decrease in estimated claims payable	—	(3,627,836)
Decrease in deferred inflows	(2,857,451)	(2,408,962)
Total adjustments	<u>1,331,829</u>	<u>(3,744,048)</u>
Net cash provided by operating activities	<u>\$ 9,431,990</u>	<u>7,789,672</u>

See accompanying notes to basic financial statements.

THE NAVAJO NATION
Statement of Fiduciary Net Position
Fiduciary Funds
Modified Budget Basis
September 30, 2022

Assets	Pension trust funds	Private- purpose trust funds
Cash and cash equivalents (note 2)	\$ 14,584,107	2,707,700
Investments (note 2)	1,005,015,813	—
Accrued interest receivable	1,921,266	—
Total assets	<u>1,021,521,186</u>	<u>2,707,700</u>
Liabilities and Net Position		
Accounts payable and accrued liabilities (note 6)	<u>2,551,346</u>	<u>41,998</u>
Total liabilities	<u>2,551,346</u>	<u>41,998</u>
Net position held in trust for pension benefits and other purposes	<u>\$ 1,018,969,840</u>	<u>2,665,702</u>

See accompanying notes to basic financial statements.

THE NAVAJO NATION
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Modified Budget Basis
Year ended September 30, 2022

	Pension trust funds	Private- purpose trust funds
Additions:		
Interest and dividends	\$ 27,708,547	16,016
Net (decrease) increase in fair value of investments	(200,758,472)	4,588
Contributions to plans (note 9)	28,526,662	—
Total additions	<u>(144,523,263)</u>	<u>20,604</u>
Deductions:		
Personnel	458,695	—
Travel	19,034	—
Supplies	16,439	2,727
Tribal grants	—	1,767,336
Utilities	160,044	4,878
Retirement benefits	56,958,571	—
Contractual services	4,330,793	95,326
Other	26,313	9,817
Total deductions	<u>61,969,889</u>	<u>1,880,084</u>
Change in net position	(206,493,152)	(1,859,480)
Net position, beginning of year	<u>1,225,462,992</u>	<u>4,525,182</u>
Net position, end of year	<u>\$ 1,018,969,840</u>	<u>2,665,702</u>

See accompanying notes to basic financial statements.

THE NAVAJO NATION
Notes to Basic Financial Statements
September 30, 2022

(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 Navajo Nation, 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 financially 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 basis of accounting described in Note 1(d) 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 statements 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

THE NAVAJO NATION
Notes to Basic Financial Statements
September 30, 2022

activity have been made in these statements. The governmental activities are reported separately from the business-type activities. 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, contributions, and changes in fair market value of restricted investments 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.

THE NAVAJO NATION
Notes to Basic Financial Statements
September 30, 2022

The Nation consolidates several funds in the General Fund which do not meet the GASB definitions for one of the other fund types.

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

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 Funds)*

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 Funds)*

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 Funds)*

The Capital Outlay Match Fund was established in 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 Funds)*

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 Funds)*

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

(viii) *Handicapped Services Trust Fund (included in General Funds)*

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. For the income earned by the fund, 95% is available for the stated purpose; the remainder is to be reinvested as principal.

THE NAVAJO NATION
Notes to Basic Financial Statements
September 30, 2022

(ix) *Senior Citizens Services Trust Fund (included in General Funds)*

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

(x) *Vocational Education Trust Fund (included in General Funds)*

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. The previous year's market value of the fund is used to determine the amount available for use as 4% of the previous year's market value is available for the stated purpose while the remainder is to be reinvested as principal.

(xi) *Navajo Academy Trust Fund (included in General Funds)*

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. The previous year's market value of the fund is used to determine the amount available for use as 4% of the previous year's market value is available for the stated purpose while the remainder is to be reinvested as principal.

(xii) *Navajo Trust Fund (included in General Funds)*

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.

(xiii) *Local Governance Trust Fund (included in General Funds)*

The Local Governance Trust Fund was established in 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.

THE NAVAJO NATION
Notes to Basic Financial Statements
September 30, 2022

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.
- (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. An 8.3333% portion 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 Navajo Nation 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.

THE NAVAJO NATION
Notes to Basic Financial Statements
September 30, 2022

(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. A 2% portion of all unrestricted revenue of the Nation is 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. Of the income earned, 90% 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 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) *Diné Relocatee Fund (Nonmajor Fund)*

The Diné Relocatee Fund is used to record all revenue, income, payments and proceeds generated from the Arizona New Lands acquired pursuant to Navajo-Hopi Settlement Act. The net proceeds of all settlement or judgement awards stemming from litigation brought by the Nation on behalf of Navajo families residing on the Hopi-partitioned lands as of December 22, 1974 against the United States shall be deposited into the fund.

(xi) *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.

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

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

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

The Judicial/Public Safety Facilities 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. A 16.6666% portion of sales tax revenue, net of statutory allocations to the Permanent Fund, Veterans Trust Fund, and Land Acquisition Fund, are deposited to this fund.

THE NAVAJO NATION
Notes to Basic Financial Statements
September 30, 2022

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

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

(xv) *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.

(xvi) *Healthy Diné Tax Act Fund (Nonmajor 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.

(xvii) *Fire & Rescue Services Fund (Nonmajor Fund)*

The Fire & Rescue Services Fund was established to provide funding for fire and rescue services throughout the Navajo Nation. A 16.6666% portion of sales tax revenue, net of statutory transfers to the Permanent Fund, Veterans Trust Fund, and Land Acquisition Fund, are deposited to this fund.

(xviii) *Navajo Tribal Utility Authority (NTUA) Emergency and Replacement Fund (Nonmajor Fund)*

NTUA Emergency and Replacement Fund was established to provide funding for emergency water and wastewater projects and replacement throughout the Navajo Nation. A 60% portion of sales tax revenue associated with construction of public water and wastewater, net of statutory transfers to the Permanent Fund, Veterans Trust Fund, and Land Acquisition Fund, is deposited to this fund.

(xix) *Sales Tax Trust Fund (Nonmajor 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.

(xx) *Veterans' Trust Fund (Nonmajor 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. A 4% portion of all unrestricted revenues is transferred, via statutory allocation, to the Veterans' Trust Fund. Based on the average market value of the fund, 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.

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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:

(xxi) *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.

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:

(xxii) *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. A 95% portion of the fund's income is available to supplement operations of the Nation's government, while 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.

(xxiii) *Chapter Government Nation Building Fund (Nonmajor Fund)*

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

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 Navajo reservation. A 8.3333% portion of sales tax revenue, net of statutory allocations to the Permanent Fund, Veterans Trust Fund, and Land Acquisition Fund, are deposited to this Fund.

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(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, 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 by the Livestock and Foreign Animal Disease Response Act of 2006 to administer service fees collected from inspection of livestock by the Navajo Department of Resource Enforcement. The department is authorized 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.

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(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 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 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.

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.

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(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. The majority of this fund's services are provided to departments and programs of the Nation's primary government.

(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 Fund*

The Property and Casualty Self-Insurance 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.

(viii) *Contingency Management Fund*

The Contingency Management Fund is used to account for management of the Nation's risk of loss.

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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.

Private-Purpose Trust Funds

(iii) Navajo Bennett Freeze Trust Fund

The Navajo Bennett Freeze Trust Fund is used to record the disputed area receipts. The fund was established in 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, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus, which reflects all long-term assets and liabilities, and the modified 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, 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, revenues are recorded when susceptible to accrual, that is, both measurable and available to be budgeted to pay liabilities of

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the current period, October 1, 2021 to September 30, 2022, 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. 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. Notes receivable from related enterprises are recorded as assets of the funds that financed the notes.

The Nation prepares its budget for the governmental funds 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.

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 and statutory allocations.

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.

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(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:

Restricted for claims and refunds	\$ 95,963,428
Restricted for future government operations	<u>2,728,413,412</u>
Total net position restricted by enabling legislation	2,824,376,840
Restricted for community and rural development	211,920,784
Restricted for economic development and loans	8,961,186
Restricted for education	75,191,408
Restricted for chapter activities	<u>58,781,824</u>
Total restricted net position	<u>\$ 3,179,232,042</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.

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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 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.

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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, 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.

(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.

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(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) 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.

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

A summary of cash and investments as of September 30, 2022 is as follows:

Cash, including money market accounts	\$ 766,143,262
Certificates of deposit	5,554,182
Government and federal agency obligations	2,877,563,812
Municipal bonds	2,868,102
Corporate bonds	610,041,361
Corporate obligations	385,637,458
Marketable securities	2,270,933,083
Mutual funds	334,367,762
Real estate funds	584,865,608
High yield fixed income funds	<u>207,920,258</u>
Total cash and investments	<u>\$ 8,045,894,888</u>

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Government-wide financial statements (Exhibit A):	
Pooled cash and investments	\$ 1,488,326,710
Cash and cash equivalents	158,349,047
Investments	21,505,725
Restricted pooled cash and investments	5,242,333,150
Restricted cash and cash equivalents	57,258,749
Restricted investments	55,813,887
Fiduciary funds statement of net assets (Exhibit I):	
Pension trust funds:	
Cash and cash equivalents	14,584,107
Investments	1,005,015,813
Private-purpose trust funds:	
Cash and cash equivalents	<u>2,707,700</u>
	<u>\$ 8,045,894,888</u>

(a) Investment Policy

The Nation's Investment Committee has established an investment policy to provide for the prudent management of invested funds. 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 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, 2022, the Nation's bank balances were \$134,224,700. The balance in excess of FDIC coverage of \$500,000 was insured and collateralized.

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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, 2022, 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

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, 2022:

Rating	Government and federal agency obligations	Municipal bonds	Corporate bonds	Corporate obligations	High-Yield Fixed Income Funds	Total
AAA	\$ 43,749,886	—	3,199,592	76,393,242	—	123,342,720
AA	373,242,723	711,789	13,999,228	10,214,305	—	398,168,045
A	2,643,478	1,777,750	174,572,867	275,275,306	—	454,269,401
BBB	6,214,223	378,563	379,572,346	6,444,101	—	392,609,233
BB	369,649	—	17,442,628	327,181	—	18,139,458
B	—	—	14,555,988	113,331	—	14,669,319
CCC	—	—	614,404	380,679	—	995,083
CC	—	—	16,768	2,632,073	—	2,648,841
C	—	—	—	—	—	—
D	—	—	—	—	—	—
Not rated	59,502,148	—	6,067,540	13,857,240	207,920,258	287,347,186
U.S. government guaranteed	2,391,841,705	—	—	—	—	2,391,841,705
	<u>\$ 2,877,563,812</u>	<u>2,868,102</u>	<u>610,041,361</u>	<u>385,637,458</u>	<u>207,920,258</u>	<u>4,084,030,991</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

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operations. Operating funds will be invested primarily in short-term securities, money market mutual funds, or similar investment pools.

As of September 30, 2022, 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	\$ 5,554,182	5,554,182	—	—	—
Government and federal agency obligations	2,877,563,812	1,893,879,707	526,890,207	46,513,159	410,280,739
Municipal bonds	2,868,102	—	655,751	—	2,212,351
Corporate bonds	610,041,361	78,678,493	246,771,002	138,921,858	145,670,008
Corporate obligations	385,637,458	272,877,930	41,950,076	3,843,522	66,965,930
High-Yield Fixed Income Funds (1)	207,920,258	237,136	207,683,122	—	—
	<u>\$ 4,089,585,173</u>	<u>2,251,227,448</u>	<u>1,023,950,158</u>	<u>189,278,539</u>	<u>625,129,028</u>

(1) The balance of high-yield fixed income funds reflected in the 1-5 years category consists of one high-yield income fund for which the classification above is based upon the fund's weighted average maturity.

(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 of 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.

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

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be represented on the Europe, Australasia, and Far East Asia (EAFEA) index. The Nation's exposure to foreign currency risk is as follows:

Country	Currency	Corporate bonds	Corporate obligations	Municipal bonds and corporate obligations	Government and federal agency obligations	Marketable securities	Total
Australia	Dollar	\$ 4,391,714	—	—	—	6,138,277	10,529,991
Canada	Dollar	19,286,442	—	655,751	112,979	11,585,234	31,640,406
Cayman Islands	Dollar	—	946,132	—	—	207,683,122	208,629,254
Chile	Peso	450,334	—	—	528,485	—	978,819
China	Yuan	2,280,619	—	—	228,349	6,242	2,515,210
Colombia	Peso	310,500	—	—	—	—	310,500
Denmark	Krone	—	—	—	—	5,862,696	5,862,696
EAFEA	NA	—	—	—	—	47,562,610	47,562,610
Europe	Euro	26,595,129	—	—	—	30,686,382	57,281,511
India	Rupee	632,335	—	—	—	—	632,335
Indonesia	Rupiah	280,193	—	—	165,500	—	445,693
Israel	Shekel	1,232,173	—	—	—	—	1,232,173
Jamaica	Dollar	16,768	—	—	—	—	16,768
Japan	Yen	7,593,262	—	—	—	4,037,330	11,630,592
Jordan	Dinar	—	—	—	—	1,200,317	1,200,317
Kuwait	Ringgit	—	—	—	169,877	—	169,877
Mexico	Peso	2,728,255	—	—	4,053,009	—	6,781,264
Multi-National Agencies Region	NA	—	—	—	—	423,817,294	423,817,294
Norway	Krone	1,414,085	—	—	—	—	1,414,085
Panama	Balboa	149,840	—	—	557,624	—	707,464
Peru	Inti	163,277	—	—	638,762	—	802,039
Saudi Arabia	Riyal	—	—	—	2,114,993	—	2,114,993
South Africa	Rand	151,000	—	—	—	—	151,000
Switzerland	Franc	4,694,558	—	—	—	9,655,170	14,349,728
Taiwan	Dollar	1,222,093	—	—	—	—	1,222,093
United Arab Emirates	Dirham	317,168	—	—	—	—	317,168
United Kingdom	Pound	20,540,996	—	—	—	1,148,573	21,689,569
		<u>\$ 94,450,741</u>	<u>946,132</u>	<u>655,751</u>	<u>8,569,578</u>	<u>749,383,247</u>	<u>854,005,449</u>

(g) Pledged Securities

As of September 30, 2022, the Nation held and pledged a \$5,554,182 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.

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- *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.

The Nation has the following recurring fair value measurements as of September 30, 2022:

	Fair value	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)
Investments held by the Nation:				
Certificates of deposit	\$ 5,554,182	5,554,182	—	—
Governmental and federal agency obligations	2,877,563,812	—	2,877,563,812	—
Municipal bonds	2,868,102	—	2,868,102	—
Corporate bonds	610,041,361	—	610,041,361	—
Corporate obligations	385,637,458	—	385,637,458	—
Mutual funds	334,367,762	334,367,762	—	—
Marketable securities	2,270,933,083	2,270,933,083	—	—
Total investments held by the Nation	\$ <u>6,486,965,760</u>	<u>2,610,855,027</u>	<u>3,876,110,733</u>	<u>—</u>
	<u>Fair Value</u>	<u>Unfunded commitments</u>	<u>Redemption frequency (if currently eligible)</u>	<u>Redemption notice period</u>
Investments measured at the NAV:				
Real estate funds (1)	\$ 584,865,608	12,250,000	45 to 90 days	Quarterly
High yield fixed income funds (2)	207,920,258	—	30 days	Monthly
Total investments measured at the NAV	<u>792,785,866</u>	<u>\$ 12,250,000</u>		
Total investments held	\$ <u>7,279,751,626</u>			

- (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

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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.

(3) Accounts and Notes Receivable, Net

The notes and accounts receivable in the governmental activities and fiduciary funds comprise the following as of September 30, 2022:

	Governmental activities		
	Restricted	Unrestricted	Total
Notes receivable:			
Permanent fund	\$ 136,384,851	—	136,384,851
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	2,786,048	—	2,786,048
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	151,361,391	42,264,593	193,625,984
Sihasin fund – NNGE and NTUA notes receivable	—	67,706,373	67,706,373
Receivable from grantors:			
Grant fund	40,623,508	—	40,623,508
Accounts receivable:			
General funds	—	16,745,176	16,745,176
Grant fund	128,128	—	128,128
Chapter government nation building fund	7,790	—	7,790
Group health self-insurance fund	3,435,618	—	3,435,618
Property and casualty self-insurance fund	2,328	—	2,328
Workers' compensation self-insurance fund	10,115	—	10,115
Fleet management fund	—	57,854	57,854
	<u>\$ 195,568,878</u>	<u>126,773,996</u>	<u>322,342,874</u>

(a) Governmental Activities Accounts Receivable

Accounts receivable from grantors represent the majority of the governmental activities restricted accounts receivable balance at September 30, 2022.

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(b) Notes Receivable with Navajo Nation Gaming Enterprise

Notes receivable in the governmental activities 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 (2012 Credit Agreement). The total amount available for the consolidation and the construction draw down loan is \$200,000,000. The 2012 Credit Agreement required interest-only payments from the closing date (April 3, 2012) to June 30, 2013. Thereafter, the 2012 Credit Agreement 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 2012 Credit Agreement 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 three-year extension of the forbearance agreement revert to the terms in the 2012 Credit Agreement if the forbearance agreement is not extended or the 2012 Credit Agreement is not refinanced. The 2012 Credit Agreement 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 2012 Credit Agreement was refinanced on December 1, 2017.

On December 1, 2017, the Nation amended and restated the 2012 Credit Agreement with NNGE for an amount up to the outstanding principal amount but not to exceed \$208,759,393 (Loan Agreement). The maturity of the Loan Agreement is 15 years after the effective date of December 1, 2017 with an option

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to renew for an additional 15 years. The interest rate of the Loan Agreement 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, 2022, the principal balance is \$190,839,936.

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 June 2023, the Nation is in the process of amending the Loan Agreement to suspend and defer debt service payments to a future date. The Nation has accrued a total of \$26,762,268 in interest for the period of July 1, 2020 through September 30, 2022.

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 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, 2022 is \$2,786,048.

(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%. As of September 30, 2022, the balance is \$3,760,401.

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). The note receivable balance from May 2, 2021 through May 1, 2022 was interest only at 0.06%. The note receivable balance from May 2, 2022 to May 1, 2023 is interest only at 2.10%. As of September 30, 2022, the note balance is \$63,945,972.

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(d) Notes Receivable in Business-Type Activity Funds

Notes receivable for business-type activities consist of the following as of September 30, 2022:

	<u>Principal balance</u>	<u>Allowance for doubtful accounts</u>	<u>Total</u>	<u>Portion due within one year</u>
Loan funds:				
Home loans	\$ 4,722,761	(855,216)	3,867,545	582,820
Personal loans	660,434	(187,949)	472,485	83,469
Veterans' loans	560,302	(470,753)	89,549	76,444
	<u>5,943,497</u>	<u>(1,513,918)</u>	<u>4,429,579</u>	<u>742,733</u>
Business-type activities, notes receivable, net	\$ <u>10,386,909</u>	<u>(5,957,330)</u>	<u>4,429,579</u>	<u>742,733</u>

(4) Capital Assets

A summary of changes in capital assets for the year ended September 30, 2022 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	3,158,108	—	—	125,306,907
Construction in progress	<u>26,857,153</u>	<u>62,731,300</u>	<u>—</u>	<u>(15,152,475)</u>	<u>74,435,978</u>
Total capital assets not being depreciated	<u>149,005,952</u>	<u>65,889,408</u>	<u>—</u>	<u>(15,152,475)</u>	<u>199,742,885</u>

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	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending balance</u>
Capital assets being depreciated:					
Building and improvements	\$ 664,353,538	1,695,274	—	15,152,475	681,201,287
Equipment	126,363,113	14,668,730	(435,523)	—	140,596,320
Furniture and fixtures	7,174,237	—	(2,563,006)	—	4,611,231
Vehicles	149,599,318	4,485,642	(3,049,492)	—	151,035,468
Total capital assets being depreciated	<u>947,490,206</u>	<u>20,849,646</u>	<u>(6,048,021)</u>	<u>15,152,475</u>	<u>977,444,306</u>
Less accumulated depreciation:					
Building and improvements	167,590,726	18,283,429	—	—	185,874,155
Equipment	83,902,663	8,219,529	(435,523)	—	91,686,669
Furniture and fixtures	7,258,814	150,440	(2,548,699)	—	4,860,555
Vehicles	120,097,264	10,606,280	(2,998,891)	—	127,704,653
Total accumulated depreciation	<u>378,849,467</u>	<u>37,259,678</u>	<u>(5,983,113)</u>	<u>—</u>	<u>410,126,032</u>
Depreciable capital assets, net	<u>568,640,739</u>	<u>(16,410,032)</u>	<u>(64,908)</u>	<u>15,152,475</u>	<u>567,318,274</u>
Governmental activities, capital assets, net	<u>\$ 717,646,691</u>	<u>49,479,376</u>	<u>(64,908)</u>	<u>—</u>	<u>767,061,159</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	\$ 11,093	899,403	—	—	910,496
Land and land development costs	962,678	2,779	—	—	965,457
Total capital assets not being depreciated	973,771	902,182	—	—	1,875,953
Capital assets being depreciated:					
Buildings and improvements	34,776,178	477,980	—	—	35,254,158
Equipment	2,160,661	98,442	(113,484)	—	2,145,619
Total depreciable capital assets	36,936,839	576,422	(113,484)	—	37,399,777
Less accumulated depreciation for:					
Buildings	11,599,877	603,404	—	—	12,203,281
Equipment (and vehicles)	1,570,060	13,115	(113,484)	—	1,469,691
Total accumulated depreciation	13,169,937	616,519	(113,484)	—	13,672,972
Depreciable capital assets, net	23,766,902	(40,097)	—	—	23,726,805
Business-type activities, capital assets, net	<u>\$ 24,740,673</u>	<u>862,085</u>	<u>—</u>	<u>—</u>	<u>25,602,758</u>

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Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 2,724,233
Economic development and planning	1,170,791
Community and rural development	6,992,502
Education and training	1,992,738
Natural resources	3,520,803
Public safety	8,783,864
Health and welfare	2,184,071
Culture and recreation	220,082
Transportation	7,396,158
Internal service funds	<u>2,274,436</u>
Total governmental activities depreciation expense	<u><u>\$ 37,259,678</u></u>
Business-type activities:	
Business and industrial development fund	\$ 504,086
Parks and recreation	93,612
Employee housing fund	<u>18,821</u>
Total business-type activities depreciation expense	<u><u>\$ 616,519</u></u>

(5) Interfund Activity

The composition of interfund activity as of September 30, 2022 is as follows:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Purpose</u>	<u>Amount</u>
Grant Fund	General Fund	Investment fair value loss	\$ 25,210,983

At September 30, 2022, 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	\$ 3,100	(21,504)
Air Transportation Fund	(3,188,334)	(3,080,113)

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				Total	Purpose
	General fund	Permanent fund	Navajo Rehabilitation fund	Business Industrial Development fund		
Transfers to:						
Water rights fund	\$ (2,000,000)	—	—	—	(2,000,000)	Required transfer
Capital outlay match fund	(2,000,000)	—	—	—	(2,000,000)	Required transfer
Fish and wildlife	(1,210,901)	—	—	—	(1,210,901)	Operating
Air transportation fund	(146,330)	—	—	—	(146,330)	Operating
Dine relocatee fund	—	—	4,901,907	347,533	5,249,440	Establish fund
General fund	41,366,131	(41,366,131)	—	—	—	Operating
Total	<u>\$ 36,008,900</u>	<u>(41,366,131)</u>	<u>4,901,907</u>	<u>347,533</u>	<u>(107,791)</u>	

(6) Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities as of September 30, 2022 are as follows:

	Vendors	Salaries and benefits	Construction contract payables	Other	Total
Governmental activities:					
General fund	\$ 9,523,825	13,054,351	2,121,302	4,979,326	29,678,804
Grant fund	19,424,278	7,696,237	6,336,613	—	33,457,128
Permanent fund	1,962,834	33,869	339,966	—	2,336,669
Aggregate nonmajor funds	5,535,071	761,700	128,720	276,263	6,701,754
Internal service funds	2,500,870	256,503	—	269,070	3,026,443
Total governmental activities	<u>\$ 38,946,878</u>	<u>21,802,660</u>	<u>8,926,601</u>	<u>5,524,659</u>	<u>75,200,798</u>
Business-type activities:					
Enterprise funds	\$ 677,514	269,664	77,342	1,639,171	2,663,691

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(7) Unearned Revenue

At September 30, 2022, unearned revenue consisted of the following:

	Governmental activities:					Total
	Grant fund	General fund	Permanent fund	Property and casualty self-insurance fund	Workers' compensation insurance fund	
Unearned revenue:						
Corporation for National and Community Service	\$ 46,418	—	—	—	—	46,418
U.S. Department of Education	62,087,817	—	—	—	—	62,087,817
U.S. Department of Energy	5,880,087	—	—	—	—	5,880,087
U.S. Department of Health and Human Service	253,574,211	—	—	—	—	253,574,211
U.S. Department of Homeland Security	258,544	—	—	—	—	258,544
U.S. Department of Housing and Urban Development	95,583	—	—	—	—	95,583
U.S. Department of Justice	177,074	—	—	—	—	177,074
U.S. Department of Labor	4,496	—	—	—	—	4,496
U.S. Department of the Interior	186,717,519	—	—	—	—	186,717,519
U.S. Department of Transportation	262,268,328	—	—	—	—	262,268,328
U.S. Department of Treasury	1,483,208,204	—	—	—	—	1,483,208,204
Environmental Protection Agency	21,549	—	—	—	—	21,549
National Endowment for the Humanities	37,209	—	—	—	—	37,209
U.S. Department of Agriculture	1,153,342	—	—	—	—	1,153,342
Other non-federal	28,185,616	5,546,048	58,293	999	15,000	33,805,956
Total governmental activities	\$ 2,283,715,997	5,546,048	58,293	999	15,000	2,289,336,337

(8) Long-Term Liabilities

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.

Description of Issue	Bonds issued	Outstanding balance	Range of interest	Scheduled maturities		First call
				First year	Last year	
General Obligation 2016 Series A	\$ 52,900,000	35,585,000	2.9%–5.5%	2020	2030	2016

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	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
General Obligation Series A – 144A:			
2023	\$ 3,235,000	1,855,600	5,090,600
2024	3,365,000	1,726,200	5,091,200
2025	3,535,000	1,557,950	5,092,950
2026	3,710,000	1,381,200	5,091,200
2027	3,895,000	1,195,700	5,090,700
2028–2032	<u>17,845,000</u>	<u>2,519,278</u>	<u>20,364,278</u>
	<u>\$ 35,585,000</u>	<u>10,235,928</u>	<u>45,820,928</u>

Changes in long-term liabilities for the year ended September 30, 2022 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	\$ 318,164	—	318,164	—	—
Bonds payable	38,695,000	—	3,110,000	35,585,000	3,235,000
Bond premium	1,205,200	—	223,709	981,491	202,771
Compensated absences	14,245,873	17,483,851	13,017,875	18,711,849	18,711,849
Net pension liability (asset)	(61,300,043)	262,100,416	27,621,545	173,178,828	—
Claims and judgments	<u>13,629,749</u>	<u>9,253,969</u>	<u>12,881,805</u>	<u>10,001,913</u>	<u>7,426,286</u>
Governmental activities long-term liabilities	<u>\$ 6,793,943</u>	<u>288,838,236</u>	<u>57,173,098</u>	<u>238,459,081</u>	<u>29,575,906</u>
Business-type activities:					
Compensated absences	\$ 220,048	288,219	245,546	262,721	262,721
Net pension liability/(asset)	<u>(1,322,318)</u>	<u>6,013,167</u>	<u>633,700</u>	<u>4,057,149</u>	<u>—</u>
Business-type activities long-term liabilities	<u>\$ (1,102,270)</u>	<u>6,301,386</u>	<u>879,246</u>	<u>4,319,870</u>	<u>262,721</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.

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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/asset 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 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 Supplementary Information and Notes to 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/asset, 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, 2022.

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 of the Navajo Nation Council upon recommendation of the Navajo Nation Retirement Committee. Separate stand-alone financial statements are not issued for the Plan.

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At September 30, 2022, the Nation reported the following membership in the Plan:

	<u>Total</u>
Retired participants	\$ 4,756
Terminated vested participants	4,605
Active participants	<u>3,771</u>
Total covered employees	<u>\$ 13,132</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 remain level as a percentage of annual covered payroll. The Plan is entirely employer funded. For the year ended September 30, 2022, the required contribution rate approximated 17% 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/asset, 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, 2022. 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, 2021 and used update procedures to roll forward the total pension liability to the pension plan's fiscal year-end of September 30, 2022. 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, 2022) and for the Nation's reporting period (the fiscal year ended September 30, 2022). 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, 2022, 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, 2022 as the measurement period.

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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, 2021, to the measurement date of September 30, 2022.

(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 (asset)
	(a)	(b)	(a) – (b)
Balance at September 30, 2021	\$ 1,159,252,758	1,221,875,119	(62,622,361)
Changes for the year:			
Service cost	13,204,167	—	13,204,167
Interest	72,413,556	—	72,413,556
Differences between expected and actual experience	4,616,289	—	4,616,289
Contributions – employer	—	27,894,277	(27,894,277)
Investment income (loss) net of investment expense	—	(176,498,434)	176,498,434
Benefit payments, including refunds of employee contributions	(56,457,402)	(56,457,402)	—
Administrative expenses	—	(1,020,169)	1,020,169
Net changes	<u>33,776,610</u>	<u>(206,081,728)</u>	<u>239,858,338</u>
Balance at September 30, 2022	<u>\$ 1,193,029,368</u>	<u>1,015,793,391</u>	<u>177,235,977</u>

Additional information regarding the changes in the net pension liability for the year ended September 30, 2022 can be found in the Other Supplementary Information (unaudited) 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.

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

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, 2022, 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	\$ 2,748,750	—
Net differences between projected and actual earnings on plan investments	103,911,171	—
Total	<u>\$ 106,659,921</u>	<u>—</u>

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

<u>Year ending September 30</u>	<u>Amount</u>
2023	\$ 22,201,620
2024	13,909,886
2025	19,795,125
2026	<u>50,753,290</u>
Total	\$ <u>106,659,921</u>

(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, 2022, is as follows:

Service cost	\$ 13,204,167
Interest on the total pension liability	72,413,556
Differences between expected and actual experience	4,977,256
Projected earnings on pension plan investments	(77,268,023)
Differences between projected and actual earnings on plan investments	14,532,242
Pension plan administrative expense	<u>1,020,169</u>
Total pension expense	\$ <u>28,879,367</u>

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(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, 2022. 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 for judges.
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.

Additional information regarding changes in the net pension liability for the year ended September 30, 2022 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

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pension plan's target asset allocation as of September 30, 2022 (see the discussion of the pension plan's investment policy):

Asset class	Target allocation	Long-term expected real rate of return
Domestic equity	32.00 %	5.93 %
International equity	15.00	8.18
Fixed income	18.00	3.64
Real estate	10.00	6.29
Private equity	10.00	7.42
Global tactical asset allocation	15.00	4.75

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, 2022 was – 14.21%. A money-weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested.

(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	\$ 309,751,794	177,235,977	66,215,545

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(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 \$3,337,153 and employee contributions were \$8,778,434 for the year ended September 30, 2022.

(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. Subsequently, the Navajo Nation made significant provisions of the Code and those 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, 2022 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, 2022 has been 3%.

(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, 2022 are 18 cents per gallon of gasoline and 25 cents per gallon of diesel fuel.

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(d) Oil and Gas Severance Tax

A tax 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 as of September 30, 2022 is 4%.

(e) Sales Tax

A tax 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, 2022 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 at September 30, 2022 was 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, 2022 was 8%.

(h) Junk Food Tax

A tax imposed on applicable gross receipts from all minimal-to-no nutritional value food items sold. The rate as of September 30, 2022 was 2%.

(i) Alcohol Tax

A tax 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 as of September 30, 2022 was 3.25%.

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Tax revenues for the year ended September 30, 2022 are summarized as follows:

		Other governmental funds						
	General fund	Navajo tourism fund	Navajo roads fund	Healthy dine act fund	DPS-alcohol tax fund	Sales tax trust fund	Tax suspense fund	Total
Business activity tax	\$ 9,343,371	—	—	—	—	—	190,681	9,534,052
Possessory interest tax	19,439,750	—	—	—	—	—	396,729	19,836,479
Fuel excise tax	—	—	10,401,328	—	—	—	212,272	10,613,600
Oil and gas severance tax	6,426,780	—	—	—	—	—	131,159	6,557,939
Sales tax	57,915,736	—	—	—	—	11,517,812	1,417,013	70,850,561
Tobacco products tax	181,038	—	—	—	—	—	3,695	184,733
Hotel occupancy tax	—	1,142,306	—	—	—	—	23,312	1,165,618
Junk food tax	—	—	—	1,990,525	—	—	40,623	2,031,148
Alcohol tax	—	—	—	—	66,713	—	1,361	68,074
Total tax revenue	<u>\$ 93,306,675</u>	<u>1,142,306</u>	<u>10,401,328</u>	<u>1,990,525</u>	<u>66,713</u>	<u>11,517,812</u>	<u>2,416,845</u>	<u>120,842,204</u>

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, 2022, 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 \$107,797.

(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 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.

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September 30, 2022

(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.

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 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, 2022, premiums of \$2,563,607 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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Notes to Basic Financial Statements
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The amounts and changes in the Nation's Risk Management program claims payable for the year ended September 30, 2022 are as follows:

Property and casualty self-insurance fund:	
Claims payable, beginning of year	\$ 2,226,877
Current year claims and changes in estimates	3,925,328
Claim payments	<u>(4,729,533)</u>
Claims payable, end of year	<u>\$ 1,422,672</u>
Workers' compensation self-insurance fund:	
Claims payable, beginning of year	\$ 303,614
Current year claims and changes in estimates	3,163,134
Claim payments	<u>(3,163,134)</u>
Claims payable, end of year	<u>\$ 303,614</u>
Group health benefit self-insurance fund:	
Claims payable, beginning of year	\$ 5,115,000
Current year claims and changes in estimates	22,505,890
Claim payments	<u>(21,920,890)</u>
Claims payable, end of year	<u>\$ 5,700,000</u>

(14) Special Item

The Nation received a judgment on six consolidated cases with the DOI and BIA for violations related to the Indian Self-Determination and Education Assistance by partially declining the Nation's annual funding requests for its judicial branch operations for 2015 to 2020. In 2022, the Nation received payment of \$35 million in full satisfaction related to the judgment.

In 2022, The Nation reached a settlement with United State Environmental Protection Agency (EPA) under which the EPA agreed to pay the Nation a total of \$31 million to resolve the Nation's claims against the agency for triggering the August 2015 Gold King Mine spill. Of the amount \$10 million is provided to Comprehensive Environmental Response, Compensation, and Liability Act restricted purposes and such funds will be held in escrow; \$3 million is for EPA grants to the Nation (Superfund, Clean Water, and General Assistance Program grants); and \$18 million is unrestricted funding to the Nation.

(15) Subsequent Events

The Nation has evaluated all events that occur after the balance sheet date through the date when the financial statements were issued to determine if any must be reported. The Nation has determined that there were no reportable subsequent events to be disclosed.

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

Year ended September 30, 2022

(Unaudited Other Information)

	Original budget	Final budget	Actual (budgetary basis)	September 30, 2022 Designated fund balance carryover	Budget variance favorable (unfavorable)
Revenues					
Natural resource revenue:					
Oil and gas	\$ 27,919,000	27,919,000	40,118,240	—	12,199,240
Mining	28,835,000	28,835,000	41,961,423	—	13,126,423
Tax revenue, net (note 10)	55,154,000	55,154,000	93,306,675	—	38,152,675
Land, buildings, business site, and right-of-way revenue	70,165,000	70,165,000	74,848,952	—	4,683,952
Interest and dividends	4,000,000	4,000,000	7,296,581	—	3,296,581
Net increase in fair value of investments	—	—	(35,050,939)	—	(35,050,939)
Pasture, rangeland, and forage insurance proceeds	—	—	30,094,271	—	30,094,271
Other revenue	1,250,000	1,250,000	8,013,097	—	6,763,097
Statutory allocation to permanent fund	(22,479,000)	(22,479,000)	(30,685,606)	—	(8,206,606)
Statutory allocation of current year revenues	(11,239,000)	(11,239,000)	(39,580,310)	—	(28,341,310)
Total revenues	153,605,000	153,605,000	190,322,384	—	36,717,384
Expenditures					
General government	103,896,891	127,965,382	86,122,008	4,646,475	37,196,899
Economic development and planning	5,871,449	7,468,203	5,185,523	—	2,282,680
Community and rural development	37,185,204	44,880,511	39,587,385	518,162	4,774,964
Education and training	21,772,802	23,745,886	12,772,572	545,853	10,427,461
Natural resources	23,068,062	24,036,325	48,769,265	762,044	(25,494,984)
Public safety	9,599,932	11,212,830	9,578,148	761,922	872,760
Health and welfare	17,959,861	22,123,209	14,211,685	67,973	7,843,551
Culture and recreation	1,046,451	1,217,090	786,565	35,000	395,525
Total expenditures	220,400,652	262,649,436	217,013,151	7,337,429	38,298,856
Other financing sources					
Transfers	23,600,000	23,600,000	36,008,900	—	12,408,900
Total other financing uses	23,600,000	23,600,000	36,008,900	—	12,408,900
Special item					
Claim settlements	—	—	65,496,689	—	65,496,689
Total special items	—	—	65,496,689	—	65,496,689
Net change under budgetary basis	\$ (43,195,652)	(85,444,436)	74,814,822	(7,337,429)	152,921,829
Reconciliation of budgetary basis net change to net change from schedule 6:					
Less beginning encumbrances			\$ (12,999,673)		
Add ending encumbrances			17,447,378		
Modified accrual budget net change in fund balance			\$ 79,262,527		

See accompanying independent auditors' report.

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Pension Other Supplementary Information

Year ended September 30, 2022

Schedule of Changes in the Net Pension Liability (Asset) and Related Ratios (dollars in thousands) –

(Unaudited Other Information)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Total pension liability:										
Service cost	\$ 13,204	13,438	14,378	18,165	15,912	13,760	13,297	12,939	14,222	(Historical information prior to implementation of GASB 67 and 68 is not required)
Interest	72,413	69,701	66,970	68,661	64,519	63,374	60,576	57,582	54,812	
Changes of benefit terms	—	8,835	(6,072)	—	—	—	—	302	5,300	
Differences between expected and actual experience	4,616	2,887	8,447	(6,982)	(4,665)	2,672	1,507	4,911	—	
Changes of assumptions	(58,457)	(48,627)	(45,680)	(22,165)	(40,689)	61,633	—	—	—	
Benefit payments, including refunds of member contributions	33,776	46,240	38,043	11,758	35,077	104,753	41,210	44,554	45,919	
Net change in total pension liability	1,159,253	1,113,013	1,074,970	1,063,212	1,026,135	923,382	882,172	837,618	791,699	
Total pension liability – beginning	1,193,029	1,159,253	1,113,013	1,074,970	1,053,212	1,028,135	923,382	882,172	837,618	
Total pension liability – ending (a)	27,894	29,154	36,293	36,589	38,770	42,920	46,473	49,975	47,750	
Plan fiduciary net position:										
Contributions – employer	(176,498)	219,606	90,837	28,202	80,052	98,508	72,162	(6,703)	63,712	
Contributions – member	(56,458)	(48,621)	(45,680)	(43,941)	(40,689)	(36,706)	(34,170)	(31,179)	(28,415)	
Net investment income	(1,020)	(1,147)	(794)	—	(1,146)	(1,521)	(1,092)	(1,157)	(1,114)	
Benefit payments, including refunds of member contributions	(206,082)	199,992	80,656	19,666	76,987	103,199	83,373	10,936	81,933	
Administrative expense	1,221,875	1,022,883	942,227	922,581	845,574	742,375	659,002	648,066	566,133	
Other	1,015,793	1,221,875	1,022,883	942,227	922,581	845,574	742,375	659,002	648,066	
Plan fiduciary net position – ending (b)	177,236	(62,622)	90,130	132,743	140,651	182,561	181,007	223,170	189,552	
Nation's net pension liability (asset) – ending (a) – (b)	85.14 %	105.40 %	91.90 %	87.65 %	86.77 %	82.24 %	80.40 %	74.70 %	77.37 %	
Plan fiduciary net position as a percentage of the total pension liability	165.367	182,210	179,051	172,888	178,346	173,182	171,504	168,042	179,682	
Covered-employee payroll	\$ 107.18 %	(34.37)%	50.34 %	76.76 %	78.86 %	105.42 %	105.54 %	132.81 %	105.49 %	
Nation's net pension liability (asset) as a percentage of covered-employee payroll										

Notes to schedule:

2013 – Historical information prior to implementation of GASB 67 and 68 is not required.

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

Benefit Changes: During 2021, the plan was amended to offer an enhanced retirement package (ERP) for regular status employees that were at least sixty (60) years of age with at least ten (10) years of service and employed on March 31, 2021. Participants who terminated employment with Navajo Nation after the commencement of COVID-19 related office closures, commenced payments on or after April 1, 2020, and who would otherwise satisfied the minimum age and service requirements as of March 31, 2021 if employment had continued until that date, were also entitled to ERP beginning October 1, 2021.

The enhancement provided eligible participants an additional three years of Benefit Service provided that the participants retired by October 1, 2021. The plan was remeasured on September 30, 2021 to determine the impact of the ERP under GASB.

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.

See accompanying independent auditors' report.

THE NAVAJO NATION

Pension Other Supplementary Information

Year ended September 30, 2022

Schedule of the Nation's Contributions (dollars in thousands) –

(Unaudited Other Information)

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
2022	26,195	27,894	(1,699)	165,367	17
2021	34,121	29,154	4,967	182,210	16
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 is not required)

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
Amortization method
Remaining amortization period
Asset valuation method

Entry age normal, level percent of pay
Straight line
10 years
Fair value

Actuarial assumptions:

Inflation
Salary increases
Investment rate of return
Retirement age

2.0%
Age-graded scale 2.0% – 6.0%
6.4%

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 for judges.

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.

See accompanying independent auditors' report.

THE NAVAJO NATION

Pension Other Supplementary Information

Year ended September 30, 2022

Schedule of Investment Returns (dollars in thousands) –
(Unaudited Other Information)

<u>Fiscal year ended</u>	<u>Annual money-weighted rate of return, net of investment expense</u>
2022	(14.21)
2021	20.81
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)

See accompanying independent auditors' report.

THE NAVAJO NATION
Combining Balance Sheet – General Funds
Modified Accrual Budget Basis
September 30, 2022

	Assets											Total General Funds	
	General Fund	Navajo Dam Escrow Fund	Oil and Gas Development Fund	Navajo Nation Reforestation Fund	Capital Outlay Match Fund	Bilashin Fund	License Plate Revenue Fund	Handicapped Services Trust Fund	Senior Citizen Services Trust Fund	Vocational Education Trust Fund	Navajo Academy Trust Fund		Navajo Governance Trust Fund
Pooled cash and investments (including \$5,543,061 of pledged securities)	\$ 520,481,928	3,418,125	831,354	281,343	9,734,365	519,022,419	688,142	14,739,685	11,722,933	12,021,478	442,901	14,425,792	1,108,921,209
Accounts receivable, net	18,745,176	—	—	—	—	—	—	—	—	197,794	—	—	18,745,176
Accrued interest receivable	2,035,245	—	—	—	—	1,164,719	—	206,617	173,254	—	—	—	3,771,629
Notes receivable	—	—	—	—	—	67,706,373	—	1,136,866	975,785	1,135,866	—	—	70,954,890
Other assets	5,537,446	—	—	—	—	—	—	—	—	—	—	—	5,537,446
Total assets	\$ 544,759,795	3,418,125	831,354	281,343	9,734,365	587,873,511	688,142	16,083,168	12,871,972	13,355,138	442,901	14,425,792	1,205,935,349
Liabilities and Fund Balances													
Liabilities:													
Accounts payable	\$ 5,839,366	—	—	—	255,508	2,838,113	—	8,438	41,647	10,881	—	—	8,991,953
Accrued liabilities	19,107,661	—	—	34	452,871	1,115,924	—	10,361	—	—	—	—	20,686,851
Due to other funds	25,210,983	—	—	—	—	—	—	—	—	—	—	—	25,210,983
Unearned revenue	5,546,048	—	—	—	—	—	—	—	—	—	—	—	5,546,048
Total liabilities	55,704,058	—	—	34	708,379	3,952,037	—	18,799	41,647	10,881	—	—	60,435,835
Fund balances:													
Nonspendable:													
Long-term receivables	—	—	—	—	—	67,706,373	—	1,136,866	975,785	1,135,866	—	—	70,954,890
Spendable:													
Restricted for:													
Economic development loans	5,543,061	3,418,125	—	—	—	—	—	—	—	—	—	—	8,961,186
Community and rural development	10,000,000	—	—	—	—	—	—	—	—	—	—	—	10,000,000
Other capital projects	141,584,953	—	—	—	—	946,396	—	—	—	—	—	—	142,531,359
Committed for:													
Other capital projects	—	—	—	—	9,025,986	515,268,705	—	—	—	—	—	—	524,294,691
Covid-19 donations	6,922,445	—	—	—	—	—	—	—	—	—	—	—	6,922,445
Other purposes	87,036,105	—	831,354	281,309	—	—	688,142	14,927,503	11,854,540	12,208,391	442,901	14,425,792	144,226,780
Assigned to:													
Other purposes	17,447,378	—	—	—	—	—	—	—	—	—	—	—	17,447,378
Unassigned:													
General Fund	220,161,785	—	—	—	—	—	—	—	—	—	—	—	220,161,785
Total fund balances	489,095,737	3,418,125	831,354	281,309	9,025,986	583,921,474	688,142	16,064,369	12,830,325	13,344,257	442,901	14,425,792	1,145,500,514
Total liabilities and fund balances	\$ 544,759,795	3,418,125	831,354	281,343	9,734,365	587,873,511	688,142	16,083,168	12,871,972	13,355,138	442,901	14,425,792	1,205,935,349

See accompanying independent auditors' report.

THE MAVALO NATION

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

General Funds

Modified Accrual Budget Basis

Year ended September 30, 2022

Revenues	General Fund	Navajo Dam Extension Fund	Oil and Gas Development Fund	Navajo Reclamation Fund	Capital Outlay Match Fund	Shawin Fund	License Plate Revenue Fund	Handicapped Services Trust Fund	Senior Citizen Services Trust Fund	Vocational Education Trust Fund	Navajo Adult Learning Trust Fund	Navajo Trust Fund	Local Government Trust Fund	Total General Funds
Natural resource revenue:														
Oil and gas	\$ 40,118,240	--	--	--	--	--	--	--	--	--	--	--	--	40,118,240
Fishing	41,981,423	--	--	--	--	--	--	--	--	--	--	--	--	41,981,423
Tax revenue, net	93,306,675	--	--	--	--	--	--	--	--	--	--	--	--	93,306,675
Land, buildings, business sale, and right-of-way revenue	74,846,562	--	--	--	--	--	--	--	--	--	--	--	--	74,846,562
Interest and dividends	7,298,581	11,176	5,964	--	34,486	10,558,080	--	366,421	303,150	542,227	2,745	8,823	87,222	74,997,485
Net increase (decrease) in fair value of investments	(25,050,559)	3,320	688	--	30,336	(14,376,367)	--	(3,861,056)	(2,860,056)	(2,968,359)	213	--	54,659	(158,170,147)
Pasture, rangeland, and forage insurance proceeds	1,000,000	--	--	--	--	--	--	--	--	--	--	--	--	1,000,000
Net change in fund balances	4,011,057	--	--	498	--	41,113	25,341	74	29	48	--	--	--	8,080,200
Statutory allocation to permanent fund	(30,685,656)	--	--	--	--	--	--	--	--	--	--	--	--	(30,685,656)
Statutory allocation of current year revenues	(39,580,310)	--	--	--	--	--	--	--	--	--	--	--	--	(39,580,310)
Total revenues	180,322,364	15,296	6,692	498	64,824	(97,717,194)	25,341	(3,527,330)	(2,686,876)	(2,646,094)	2,556	8,823	101,881	83,971,183
Expenditures														
Current:														
General government	84,193,044	--	--	--	--	1,617,196	--	--	--	--	--	--	--	85,790,240
Economic development	5,142,200	--	--	--	--	--	--	--	--	--	--	--	--	5,142,200
Construction and capital development	35,627,393	--	--	--	13,947	6,656,839	--	106,510	243,442	--	--	--	--	43,034,171
Education and training	9,715,163	--	--	--	--	1,873,610	--	--	--	309,881	--	--	--	10,025,154
Natural resources	46,469,235	--	--	--	--	--	--	--	--	--	--	--	--	46,469,235
Public safety	9,862,011	--	--	--	--	--	--	--	--	--	--	--	--	9,862,011
Health and welfare	15,857,811	--	--	--	--	--	--	--	--	--	--	--	--	15,857,811
Community development	1,851,340	--	--	--	--	--	--	--	--	--	--	--	--	1,851,340
Capital outlay	6,614,200	--	--	--	1,597,778	13,189,785	--	--	--	--	--	--	--	21,401,763
Debt service - principal	318,164	--	--	--	--	--	--	--	--	--	--	--	--	318,164
Debt service - interest	1,716	--	--	--	--	--	--	--	--	--	--	--	--	1,716
Total expenditures	212,565,446	--	--	--	1,611,725	23,337,420	25,341	106,510	243,442	309,881	2,556	8,823	101,881	239,264,544
Excess (deficit) of revenues over (under) expenditures	(22,243,082)	15,296	6,692	498	(1,546,501)	(121,054,624)	--	(3,723,840)	(2,630,318)	(2,956,095)	--	--	--	(154,293,361)
Other financing sources														
Transfers	36,008,900	--	--	--	2,000,000	--	--	--	--	--	--	--	--	38,008,900
Total other financing sources	36,008,900	--	--	--	2,000,000	--	--	--	--	--	--	--	--	38,008,900
Special items														
Claim settlements	65,456,689	--	--	--	--	--	--	--	--	--	--	--	--	65,456,689
Total special items	65,456,689	--	--	--	--	--	--	--	--	--	--	--	--	65,456,689
Net change in fund balances	79,262,527	15,296	6,692	498	453,079	(121,054,824)	25,341	(3,723,840)	(2,530,318)	(2,956,095)	2,556	8,823	101,881	(50,787,772)
Fund balance, beginning of year	409,833,310	3,402,829	824,682	280,811	8,572,807	704,976,098	662,801	19,786,209	15,780,643	18,300,342	439,843	1,121,920	14,323,811	1,198,268,286
Fund balance, end of year	\$ 489,095,737	3,418,125	831,374	281,309	9,025,886	583,921,274	688,142	16,062,369	12,850,325	13,344,247	442,399	1,130,743	14,425,792	1,148,500,514

See accompanying independent auditor's report.

THE NAVAJO NATION
Combining Statement of Net Position
Enterprise Funds
Modified Budget Basis
September 30, 2022

	Business and Industrial Development Fund	Loan Fund	Employee Housing Fund	Parks and Recreation	Fish and Wildlife	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	39,725,466	3,583,179	1,644,665	66,000,719	2,679,751	154,094	211,626	1,152,340	3,100	2,112,129	2,419,462	383,063	566,744	120,605,536
Investments	5,261,986	9,577,479	—	—	—	—	—	—	—	—	—	—	—	14,839,465
Receivables:														
Accounts receivable	—	2,791	—	—	—	—	—	—	—	—	—	—	—	2,791
Accrued interest receivable	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Current portion of notes receivable, net	—	742,733	—	—	—	—	—	—	—	—	—	—	—	742,733
Total receivables	—	745,524	—	—	—	—	—	—	—	—	—	—	—	745,524
Total current assets	44,987,452	13,905,182	1,644,665	66,000,719	2,679,751	154,094	211,626	1,152,340	3,100	2,112,129	2,419,462	383,063	566,744	135,193,527
Noncurrent assets:														
Receivables:														
Notes receivable, net	—	3,686,846	—	—	—	—	—	—	—	—	—	—	—	3,686,846
Total noncurrent assets	—	3,686,846	—	—	—	—	—	—	—	—	—	—	—	3,686,846
Capital assets:														
Construction in progress	669,403	—	—	11,093	—	—	—	—	—	—	—	—	—	910,496
Buildings and development costs	965,427	—	—	—	—	—	—	—	—	—	—	—	—	965,427
Buildings	23,345,828	—	2,566,534	9,208,727	118,568	—	—	—	—	—	10,500	—	—	36,254,157
Equipment	231,154	—	89,912	1,330,864	86,999	—	—	156,832	—	—	242,364	—	5,484	2,145,619
Total capital assets	25,445,852	—	2,656,446	10,550,684	207,567	—	—	156,832	—	—	252,864	—	5,484	38,275,729
Accumulated depreciation	8,595,520	—	2,648,899	1,996,722	98,602	—	—	76,452	—	—	251,576	—	1,100	13,672,971
Capital assets, net	16,846,332	—	7,447	8,553,962	108,965	—	—	80,380	—	—	1,268	—	4,384	25,602,758
Total noncurrent assets	16,846,332	3,686,846	7,447	8,553,962	109,955	—	—	80,380	—	—	1,268	—	4,384	29,289,604
Pension-related outflows	23,572	185,393	174,977	1,241,745	498,504	—	—	6,578	—	100,205	103,792	29,543	77,265	2,441,574
Total deferred outflows of resources	23,572	185,393	174,977	1,241,745	498,504	—	—	6,578	—	100,205	103,792	29,543	77,265	2,441,574
Total assets and deferred outflows	\$ 61,857,356	\$ 17,778,421	\$ 1,827,089	\$ 75,796,126	\$ 3,286,220	\$ 154,094	\$ 211,626	\$ 1,239,298	\$ 3,100	\$ 2,212,334	\$ 2,524,542	\$ 387,606	\$ 648,393	\$ 167,921,705
Liabilities and Net Position														
Current liabilities:														
Accounts payable	485,686	167	2,805	10,241	96,160	—	—	—	—	—	—	—	—	599,279
Accrued liabilities	153,672	117,546	39,670	1,258,370	3,678	—	—	9,403	24,604	212,279	165,453	10,011	8,846	2,064,412
Current portion of compensated absences	6,266	10,010	29,520	134,680	15,316	—	—	—	—	20,153	24,676	1,380	17,575	262,121
Total current liabilities	651,999	127,733	179,122	1,403,241	120,055	—	—	9,403	24,604	232,512	190,129	11,394	26,220	2,956,412
Noncurrent liabilities:														
Net pension liability	39,171	308,066	290,758	2,063,399	878,360	—	—	10,930	—	166,511	172,470	48,092	128,392	4,057,149
Total noncurrent liabilities	39,171	308,066	290,758	2,063,399	878,360	—	—	10,930	—	166,511	172,470	48,092	128,392	4,057,149
Total liabilities	691,170	435,799	419,880	3,466,640	948,415	—	—	20,333	24,604	399,023	362,599	60,486	154,612	6,993,561
Net position:														
Net investment in capital assets	16,846,332	—	7,447	8,553,962	109,965	—	—	80,380	—	—	1,268	—	4,384	26,602,758
Unrestricted	44,319,654	17,342,672	1,399,782	63,775,824	2,228,840	154,094	211,626	1,138,595	(21,504)	1,813,311	2,160,655	322,120	469,397	135,335,966
Total net position	\$ 61,166,186	\$ 17,342,672	\$ 1,407,209	\$ 72,329,786	\$ 2,337,805	\$ 154,094	\$ 211,626	\$ 1,218,965	\$ (21,504)	\$ 1,813,311	\$ 2,161,943	\$ 322,120	\$ 469,397	\$ 160,938,144
Total liabilities and net position	\$ 61,857,356	\$ 17,778,421	\$ 1,827,089	\$ 75,796,126	\$ 3,286,220	\$ 154,094	\$ 211,626	\$ 1,239,298	\$ 3,100	\$ 2,212,334	\$ 2,524,542	\$ 387,606	\$ 648,393	\$ 167,921,705

See accompanying independent auditors' report.

THE NAVAJO NATION
Combining Statement of Revenues, Expenses, and Changes in Net Position
Enterprise Funds
Modified Budget Basis
Year ended September 30, 2022

	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	\$ 1,273,436	—	1,029,473	5,000	—	—	—	—	—	784,439	—	—	1,600	3,093,948
Interest income – notes receivable	2,932	267,540	—	—	—	—	—	—	—	—	—	—	—	270,472
Charges for services	2,300	30,028	—	12,153,074	842,242	4,032	—	239,528	—	—	140,259	343,021	551,079	14,406,163
Other income	892,000	3,950	1,104	3,053	1,300	—	169	—	42,163	51,500	21,333	—	—	929,572
Total operating revenues	2,063,668	301,518	1,030,577	12,161,127	843,542	4,032	169	239,528	42,163	835,939	161,572	343,021	553,779	18,700,155
Operating expenses:														
Personal services	57,494	447,498	386,288	2,697,533	1,200,260	—	—	17,218	—	262,643	247,390	51,036	192,668	5,860,036
Travel, per diem, and vehicle	—	15,674	30,705	274,417	219,496	—	—	8,857	—	11,788	21,862	23,536	93,137	509,172
Supplies	14,220	28,951	37,873	395,702	187,098	—	—	12,224	—	7,288	19,319	7,995	98,128	801,796
Contractual services	—	—	—	81,028	234,949	—	—	—	—	—	—	—	268,475	614,452
Lease, telephone, and utilities	2,108	3,244	50,995	250,065	20,661	—	—	—	—	2,247	122,062	5,480	10,882	467,742
Repairs and maintenance	75,511	57,368	176,660	101,274	10,304	—	—	10,739	—	5,953	(511,769)	—	42,853	480,060
Bad debt expense (recovery)	15,289	69,456	—	—	—	—	—	—	—	—	—	—	—	(427,024)
Depreciation expense	504,086	—	18,821	93,612	—	—	—	—	—	—	—	—	—	616,519
Reinsurance premiums	289	3,892	3,437	25,331	9,978	—	—	103	—	1,994	1,252	607	1,474	48,347
Tribal grants	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Other expense	535,697	7,979	4,823	725,918	59,791	—	4,355	—	—	64,215	25,034	14,533	85,729	1,527,694
Total operating expenses	1,204,892	634,058	709,600	4,946,860	1,936,559	—	4,355	49,141	—	356,114	(75,660)	114,209	719,846	10,599,594
Operating income (loss), net	878,776	(332,540)	320,977	7,214,247	(993,017)	4,032	(4,186)	190,387	42,163	479,825	237,252	228,812	(166,567)	8,100,161
Nonoperating revenues:														
Interest and dividends	32,167	36,858	—	200	—	—	—	—	—	—	—	—	—	69,203
Net increase in fair value of investments	16,761	23,761	—	—	—	—	—	—	—	—	—	—	—	40,542
Subsidy allocations	4,781,072	—	—	—	—	—	—	—	—	—	—	—	—	4,781,072
Total nonoperating revenues	4,809,960	60,597	—	200	—	—	—	—	—	—	—	—	—	4,870,757
Nonoperating revenues, net	4,809,960	60,597	—	200	—	—	—	—	—	—	—	—	—	4,870,757
Excess (deficiency) of revenues over (under) expenses	5,689,736	(271,943)	320,977	7,214,447	(993,017)	4,032	(4,186)	190,387	42,163	479,825	237,252	228,812	(166,567)	12,970,918
Transfers	(347,533)	—	—	—	1,210,901	—	—	—	—	—	—	—	—	863,368
Change in net position	5,341,203	(271,943)	320,977	7,214,447	217,884	4,032	(4,186)	190,387	42,163	479,825	237,252	228,812	(166,567)	13,834,286
Net position, beginning of year	55,824,983	17,614,565	1,086,232	65,115,339	2,119,921	150,062	216,012	1,028,578	(63,667)	1,333,466	1,924,891	93,308	660,248	147,103,856
Net position, end of year	\$ 61,166,186	\$ 17,342,622	\$ 1,407,209	\$ 72,329,786	\$ 2,337,805	\$ 154,094	\$ 211,826	\$ 1,218,965	\$ (21,504)	\$ 1,813,311	\$ 2,161,943	\$ 322,120	\$ 493,781	\$ 160,938,144

See accompanying independent auditors' report.

THE MAYAJO NATION
Combining Statement of Cash Flows
Enterprise Funds
Modified Budget Basis
Year ended September 30, 2022

	Business and Industrial Development Fund	Loan Fund	Employee Housing Fund	Parks and Recreation Fund	Fish and Wildlife Fund	Navajo Nation Code Fund	Navajo Tribe 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 operations	\$ 1,655,550	—	1,029,472	12,158,074	942,242	4,032	—	239,528	—	784,439	702,870	343,021	553,279	18,326,251
Receipt of interest on loans	2,932	—	—	—	—	—	—	—	—	—	—	—	—	270,472
Payments to employees for services	(54,598)	(423,672)	(411,052)	(2,876,955)	(1,159,789)	—	—	(14,776)	—	(231,257)	(240,549)	(73,404)	(181,058)	(5,672,157)
Payments to suppliers	(14,220)	(28,951)	(38,097)	(641,089)	(211,821)	—	—	(15,224)	—	(7,286)	(19,363)	(6,457)	(84,128)	(1,065,636)
Payments to third parties for services	(410,184)	(180,596)	(256,290)	(315,137)	(514,702)	—	—	(24,182)	1	(21,970)	(122,789)	(22,110)	(345,078)	(1,392,677)
Other receipts (payments)	(78,830)	(8,774)	(3,719)	(722,865)	(58,491)	—	(4,186)	(3,701)	42,163	(69,579)	(3,701)	(14,553)	(85,129)	(1,012,263)
Net cash (used in) provided by operating activities	1,921,418	(461,709)	320,276	7,596,028	(1,022,530)	4,032	—	188,346	42,164	443,398	316,468	224,487	(156,114)	9,431,990
Cash flows from capital and related financing activity:														
Sale (acquisition) of capital assets	(1,101,729)	—	—	(378,874)	14,118	—	—	(14,118)	—	—	—	—	—	(1,478,603)
Net cash (used in) capital and related financing activity	(1,101,729)	—	—	(378,874)	14,118	—	—	(14,118)	—	—	—	—	—	(1,478,603)
Cash flows from noncapital and related financing activities:														
Transfer	(347,539)	—	—	—	1,210,801	—	—	—	—	—	—	—	—	863,368
Statutory allocations	4,761,017	—	—	—	—	—	—	—	—	—	—	—	—	4,761,017
Net cash provided by noncapital and related financing activities	4,413,478	—	—	—	1,210,801	—	—	—	—	—	—	—	—	5,674,386
Cash flows from investing activities:														
Purchases of investments	(28,033,055)	(38,565,674)	—	—	—	—	—	—	—	—	—	—	—	(66,598,729)
Sales of investments	24,307,549	31,809,030	—	—	—	—	—	—	—	—	—	—	—	56,116,579
Interest on investment and cash balances	32,167	38,836	—	200	—	—	—	—	—	—	—	—	—	69,203
Net cash provided by investing activities	(3,693,339)	(4,719,608)	—	200	—	—	—	—	—	—	—	—	—	(8,412,957)
Net increase (decrease) in cash and cash equivalents	1,539,819	(5,161,517)	320,276	7,219,354	222,481	4,032	(4,186)	174,226	42,164	443,398	316,468	224,487	(156,114)	5,164,810
Cash and cash equivalents, beginning of year	38,185,847	8,784,696	1,324,389	58,761,365	2,456,270	150,062	216,012	978,112	(39,064)	1,668,821	2,102,984	128,568	722,858	115,440,778
Cash and cash equivalents, end of year	\$ 39,725,666	\$ 3,623,179	\$ 1,644,665	\$ 66,000,719	\$ 2,678,751	\$ 154,094	\$ 211,826	\$ 1,152,340	\$ 3,100	\$ 2,112,129	\$ 2,419,462	\$ 353,053	\$ 568,744	\$ 120,895,538
Reconciliation of operating income (loss) to net cash from operating activities:														
Operating income (loss)	\$ 878,776	(332,540)	320,377	7,214,247	(993,017)	4,032	(4,186)	190,387	42,163	479,625	237,252	228,612	(166,567)	8,100,161
Adjustments to reconcile operating income to net cash from operating activities:														
Depreciation expense	504,086	—	18,821	93,612	—	—	—	—	—	—	—	—	—	616,519
Provision of bad debt (Recovery of bad debt)	15,289	69,458	—	—	—	—	—	—	—	—	—	—	—	(47,024)
(Increase) Decrease in accounts receivable	(1,142)	(1,142)	—	—	—	—	—	—	—	—	—	—	—	(2,284)
Decrease (Increase) in prepaid income	32,281	(11,264)	—	—	—	—	—	—	—	—	—	—	—	21,017
Decrease (Increase) in deferred outflows	(22,894)	(180,596)	(168,847)	(1,208,817)	(485,527)	—	—	(8,493)	—	(86,268)	(101,025)	(28,323)	(75,027)	(2,375,910)
Increase (Decrease) in accounts payable and accrued liabilities	468,090	(100,420)	5,275	177,591	(50,035)	—	—	(4,453)	1	(67,863)	21,543	7,151	(1,157)	47,693
Increase in net pension liability	52,824	404,811	412,193	2,726,487	1,088,686	—	—	12,648	—	205,511	228,198	73,655	173,454	5,379,467
Increase (Decrease) in compensated absences	2,470	3,663	(5,630)	25,801	1,064	—	—	—	—	8,379	83	(3,718)	10,560	42,672
Decrease in deferred inflows	(29,540)	(202,051)	(282,419)	(1,432,893)	(664,769)	—	—	(3,713)	—	(64,276)	(120,425)	(53,080)	(87,377)	(2,857,451)
Total adjustments	1,042,642	(129,169)	(701)	381,781	(8,921)	—	—	(2,041)	1	(36,517)	79,216	(4,315)	10,453	1,331,879
Net cash (used in) provided by operating activities	\$ 1,921,418	(461,709)	320,276	7,596,028	(1,022,530)	4,032	(4,186)	188,346	42,164	443,398	316,468	224,487	(156,114)	\$ 9,431,990

See accompanying independent auditors' report.

THE NAVAJO NATION
Combining Statement of Net Position
Internal Service Funds
Modified Accrual Budget Basis
September 30, 2022

Assets and Deferred Outflows of Resources										
Current assets:										
Cash and cash equivalents	\$	32,119,396	4,861,278	268,029	(3,188,334)	36,053,174	10,839,480	366,095	3,683,140	85,002,258
Investments		—	—	—	—	—	35,871,153	19,942,734	6,666,260	82,460,147
Receivables:										
Accrued interest receivable		—	—	—	—	—	—	44,919	—	44,919
Accounts receivable, net		57,854	—	—	—	3,435,618	2,328	10,115	—	3,505,915
Inventories		—	—	301,682	—	—	—	—	—	301,682
Total receivables		57,854	—	301,682	—	3,435,618	2,328	55,034	—	3,852,516
Total current assets		32,177,250	4,861,278	569,711	(3,188,334)	39,488,792	46,712,961	20,363,863	10,349,400	151,334,921
Noncurrent assets:										
Capital assets:										
Construction in progress		17,197	—	—	—	—	—	—	—	17,197
Buildings		226,328	—	—	—	—	—	147,411	—	373,739
Vehicles		44,369,483	—	—	—	—	—	—	—	44,369,483
Equipment		1,153,086	714,573	11,548	4,440,500	—	238,101	88,462	—	6,642,268
Total capital assets		45,766,094	714,573	11,546	4,440,500	—	238,101	233,873	—	51,402,687
Accumulated depreciation		42,787,220	509,528	6,718	4,297,505	—	232,241	88,462	—	47,899,674
Capital assets, net		2,998,874	205,045	4,828	142,995	—	3,860	147,411	—	3,503,013
Total noncurrent assets		2,998,874	205,045	4,828	142,995	—	3,860	147,411	—	3,503,013
Pension-related outflows										
Total deferred outflows of resources		1,168,866	98,750	65,100	52,553	215,564	283,727	149,598	—	2,034,158
Total assets and deferred outflows	\$	38,344,990	5,165,073	639,639	(2,992,786)	39,704,356	47,000,548	20,660,872	10,349,400	158,872,092
Liabilities and Net Position										
Current liabilities:										
Accounts payable	\$	226,799	34,438	—	—	386,939	1,857,907	7,051	—	2,513,134
Accrued liabilities		106,996	12,419	6,338	—	312,899	51,921	20,736	—	513,309
Unearned revenue		—	—	—	—	—	999	15,000	—	15,999
Current portion of compensated absences		172,069	12,095	9,028	—	10,204	54,080	28,802	—	286,278
Current estimated claims payable		—	—	—	—	5,700,000	1,422,672	303,814	—	7,426,286
Total current liabilities		507,864	58,952	15,366	—	6,410,042	3,387,579	375,203	—	10,755,006
Noncurrent liabilities:										
Net pension liability		1,942,294	164,093	108,175	87,327	358,201	471,466	248,586	—	3,380,142
Estimated claims payable		—	—	—	—	—	—	—	2,575,627	2,575,627
Total noncurrent liabilities		1,942,294	164,093	108,175	87,327	358,201	471,466	248,586	2,575,627	5,955,769
Total liabilities		2,450,158	223,045	123,541	87,327	6,768,243	3,859,045	623,789	2,575,627	16,710,775
Net position:										
Net investment in capital assets		2,998,874	205,045	4,828	142,995	—	3,860	147,411	—	3,503,013
Restricted, expendable for claims and judgments		—	—	—	—	32,936,113	43,137,643	19,869,672	—	95,963,428
Unrestricted		30,895,958	4,736,893	511,270	(3,223,109)	—	—	—	7,773,773	40,694,876
Total net position		33,894,832	4,942,028	516,098	(3,080,113)	32,936,113	43,141,503	20,037,083	7,773,773	140,161,317
Total liabilities and net position	\$	38,344,990	5,165,073	639,639	(2,992,786)	39,704,356	47,000,548	20,660,872	10,349,400	158,872,092

See accompanying independent auditors' report.

THE NAVAJO NATION

Combining Statement of Revenues, Expenses, and Changes in Net Position

Internal Service Funds

Modified Accrual Budget Basis

Year ended September 30, 2022

	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	—	—	—	—	42,106,947	12,770,803	2,563,607	—	57,441,357
Charges for services	10,599,460	614,608	313,417	—	—	—	—	—	11,527,485
Other income	697,047	—	—	—	86,638	—	—	—	783,685
Total operating revenues	11,296,507	614,608	313,417	—	42,193,585	12,770,803	2,563,607	—	69,752,527
Operating expenditures:									
Personnel	2,781,105	247,082	151,115	123,039	520,554	700,482	379,791	—	4,903,168
Travel, per diem, and vehicle	176,111	1,801	6,059	7,502	24,864	43,435	23,431	—	283,203
Supplies	5,690,327	124,142	5,140	10,483	37,356	67,893	102,686	—	6,038,027
Cost of goods sold	—	—	247,327	—	—	—	—	—	247,327
Contractual service	1,150	—	—	2,087	3,780,274	965,564	93,430	—	4,842,505
Lease, telephone, and utilities	16,451	125,755	2,912	1,308	12,159	15,701	10,235	—	184,521
Repairs and maintenance	268,898	28,207	—	—	—	—	—	—	297,105
Provision for bad debts	—	—	—	—	—	—	—	—	—
Depreciation expense	2,265,564	7,504	—	—	—	1,368	—	—	2,274,436
Benefits and claims	—	—	—	—	22,505,890	3,925,328	3,163,134	—	29,594,352
Reinsurance premiums	22,385	1,641	1,189	2,141	4,776,643	4,481,866	3,255	—	9,289,120
Other expense	83,552	7,601	1,187	491	21,855	59,222	91,135	—	265,043
Total operating expenditures	11,305,543	543,733	414,929	147,051	31,679,595	10,260,859	3,867,097	—	58,218,807
Net operating income (loss)	(9,036)	70,875	(101,512)	(147,051)	10,513,990	2,509,944	(1,303,490)	—	11,533,720
Nonoperating revenues:									
Interest and dividends	—	—	—	—	—	124,937	313,534	29,556	468,027
Net increase (decrease) in fair value of investments	—	—	—	—	—	82,885	(3,085,592)	19,076	(2,963,631)
Total nonoperating revenues	—	—	—	—	—	207,822	(2,772,058)	48,632	(2,515,604)
Excess (deficiency) of revenues over (under) expenditures	(9,036)	70,875	(101,512)	(147,051)	10,513,990	2,717,766	(4,075,548)	48,632	9,018,116
Transfers									
Change in net position	(9,036)	70,875	(101,512)	(721)	10,513,990	2,717,766	(4,075,548)	48,632	9,164,446
Net position, beginning of year	33,903,868	4,871,153	617,610	(3,079,392)	22,422,123	40,423,737	24,112,631	7,725,141	130,996,871
Net position, end of year	\$ 33,894,832	4,942,028	516,098	(3,080,113)	32,936,113	43,141,503	20,037,083	7,773,773	140,161,317

See accompanying independent auditors' report.

THE NAVAJO NATION
Combining Statement of Cash Flows
Internal Service Funds
Modified Accrual Budget Basis
Year ended September 30, 2022

	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	10,544,148	614,608	313,417	—	—	—	—	—	11,472,171
Cash received for premiums from the government	—	—	—	—	25,392,281	4,774,268	1,304,852	—	31,471,401
Cash received from others for premiums	—	—	—	—	13,407,388	7,995,061	1,263,128	—	22,665,575
Payments to employees for services	(2,754,373)	(228,504)	(150,722)	(122,318)	(499,328)	(657,463)	(346,874)	—	(4,759,382)
Payment of claims	—	—	—	—	(21,920,890)	(4,729,533)	(3,163,134)	(3,408,631)	(33,222,186)
Payments to suppliers	(5,836,600)	(189,003)	(368,801)	(10,483)	(37,356)	(67,893)	(101,155)	—	(6,609,491)
Payments to third parties for services	(868,977)	(162,327)	(22,355)	(13,529)	(8,672,873)	(4,168,871)	(216,729)	—	(13,925,461)
Other receipts	697,047	—	—	—	—	—	—	—	697,047
Net cash provided by (used in) operating activities	1,981,043	34,774	(228,461)	(148,330)	7,669,422	3,145,569	(1,259,714)	(3,408,631)	7,789,672
Cash flows from capital and related financing activity:									
Acquisition of capital assets	(208,846)	(174,586)	—	—	—	—	—	—	(381,432)
Sale of capital assets	48,223	—	—	—	—	—	—	—	48,223
Net cash (used in) capital and related financing activity	(160,623)	(174,586)	—	—	—	—	—	—	(335,209)
Cash flows from noncapital and related financing activity:									
Transfer	—	—	—	148,330	—	—	—	—	148,330
Net cash provided by noncapital and related financing activity	—	—	—	148,330	—	—	—	—	148,330
Cash flows from investing activities:									
Purchases of investments	—	—	—	—	—	(75,665,824)	(14,308,307)	(22,540,816)	(112,512,947)
Sale of investments	—	—	—	—	—	82,936,049	15,705,498	19,164,495	117,806,042
Interest on investment and cash balances	—	—	—	—	—	124,937	311,235	29,556	465,748
Net cash provided by (used in) investing activities	—	—	—	—	—	7,395,162	1,710,446	(3,346,765)	5,758,843
Net increase (decrease) in cash and cash equivalents	1,820,420	(139,812)	(228,461)	—	7,669,422	10,540,731	450,732	(6,755,396)	13,359,638
Cash and cash equivalents, beginning of year	30,298,976	5,001,090	494,490	(3,188,334)	28,383,752	298,749	(84,637)	10,438,558	71,642,622
Cash and cash equivalents, end of year	32,119,396	4,861,278	266,029	(3,188,334)	36,053,174	10,839,480	366,095	3,683,140	85,002,258
Reconciliation of operating income (loss) to net cash from operating activities:									
Operating income (loss)	\$ (9,036)	70,875	(101,512)	(147,051)	10,513,990	2,509,944	(1,303,490)	—	11,533,720
Adjustments to reconcile operating income (loss) to net cash from operating activities:									
Depreciation expense	2,265,564	7,504	—	—	—	1,368	—	—	2,274,436
Provision for bad debts	—	—	—	—	—	(3,393,916)	—	—	(3,393,916)
(Increase) Decrease in accounts receivable	(55,314)	—	—	—	—	(1,474)	4,371	—	(51,417)
Increase in inventories	(1,135,449)	(98,362)	(114,334)	(51,031)	(210,056)	(278,957)	(145,808)	—	(1,978,800)
Increase (Decrease) in accounts payable and accrued liabilities	(248,903)	(62,183)	(63,137)	—	(58,878)	1,398,917	6,288	—	1,028,233
Increase in deferred outflows	1,129	6,682	1,254	—	1,852	6,778	18,933	—	36,628
Increase in compensated absences	2,615,239	212,189	147,709	117,971	469,120	607,793	324,899	—	4,494,920
Increase in net pension liability	(1,454,187)	(103,631)	(85,433)	(86,219)	(239,690)	(294,595)	(164,907)	—	(2,008,962)
Decrease in deferred inflows	—	—	—	—	585,000	(604,205)	—	(3,408,631)	(3,627,835)
Increase (Decrease) in estimated claims payable	—	—	—	—	—	—	—	—	—
Total adjustments	1,980,079	(38,101)	(124,849)	721	(2,844,568)	835,825	43,776	(3,408,631)	(3,744,048)
Net cash provided by (used in) operating activities	\$ 1,981,043	34,774	(228,461)	(146,330)	7,669,422	3,145,569	(1,259,714)	(3,408,631)	7,789,672

See accompanying independent auditors' report.

THE NAVAJO NATION

Combining Statement of Fiduciary Net Position

Fiduciary Funds

Modified Accrual Budget Basis

September 30, 2022

	Assets	Pension Trust Funds			Private-Purpose Trust Funds	
		Retirement Fund	Deferred Retirement Fund	Total Pension Trust Funds	Navajo Bennett Freeze Trust Fund	Total Fiduciary Funds
Cash and cash equivalents:						
Managed by:						
The Navajo Nation		\$ (10,985,725)	25,169	(10,960,556)	2,707,700	(8,252,856)
Managers selected by the Navajo Nation		25,540,066	4,597	25,544,663	—	25,544,663
Total cash and cash equivalents		14,554,341	29,766	14,584,107	2,707,700	17,291,807
Investments:						
Managed by:						
Managers selected by the Navajo Nation		1,001,869,200	3,146,613	1,005,015,813	—	1,005,015,813
Total investments		1,001,869,200	3,146,613	1,005,015,813	—	1,005,015,813
Receivables:						
Accrued interest receivable		1,921,195	71	1,921,266	—	1,921,266
Total receivables		1,921,195	71	1,921,266	—	1,921,266
Total assets		1,018,344,736	3,176,450	1,021,521,186	2,707,700	1,024,228,886
Liabilities and Net Position						
Accounts payable		2,533,370	—	2,533,370	35,332	2,568,702
Accrued liabilities		17,976	—	17,976	6,666	24,642
Total liabilities		2,551,346	—	2,551,346	41,998	2,593,344
Net position held in trust for pension benefits and other purposes		\$ 1,015,793,390	3,176,450	1,018,969,840	2,665,702	1,021,635,542

See accompanying independent auditors' report.

THE NAVAJO NATION

Combining Statement of Changes in Fiduciary Net Position

Fiduciary Funds

Modified Accrual Budget Basis

September 30, 2022

	Pension Trust Funds		Private-Purpose Trust Funds		Total Fiduciary Funds
	Retirement Fund	Deferred Retirement Fund	Total Pension Trust Funds	Navajo Bennett Freeze Trust Fund	
Additions: Interest and dividends Net increase (decrease) in fair value of investments Contributions to plans Total additions	\$ 27,661,245 (200,168,531) 27,894,277 (144,613,009)	47,302 (589,941) 632,385 89,746	27,708,547 (200,758,472) 28,526,662 (144,523,263)	16,016 4,588 — 20,604	27,724,563 (200,753,884) 28,526,662 (144,502,659)
Deductions: Personnel Travel Supplies Chapter disbursements Tribal grants Utilities Retirement benefits Contractual services Other Total deductions Change in net position	458,695 19,034 16,439 — — 160,044 56,457,402 4,330,793 26,313 61,468,720 (206,081,729)	— — — — — — 501,169 — — 501,169 (411,423)	458,695 19,034 16,439 — — 160,044 56,958,571 4,330,793 26,313 61,969,889 (206,493,152)	— — 2,727 — 1,767,336 4,878 — 95,326 9,817 1,880,084 (1,859,480)	458,695 19,034 19,166 — 1,767,336 164,922 56,958,571 4,426,119 36,130 63,849,973 (208,352,632)
Net position, beginning of year, as restated Net position, end of year	1,221,875,119 \$ 1,015,793,390	3,587,873 3,176,450	1,225,462,992 1,018,969,840	4,525,182 2,665,702	1,229,988,174 1,021,635,542

See accompanying independent auditors' report.

NAVAJO NATION

Navajo Nation Council Special Session

8/25/2023
03:02:21 PM

Amd# to Amd#	New Business: Item E.
MOT Daniels, H	Legislation 0207-23: Accepting
SEC Charles-Newton,	the Audit Report Provided By:
	KPMG L.L.P Regarding. . .

PASSED

Yeas : 16

Nays : 0

Excused : 5

Not Voting : 2

Yea : 16

Arviso, S	Charles-Newton, E	James, V	Slater, C
Aseret, L	Crotty, A	Johnson, C	Tolth, G
Begay, H	Damon, S	Notah, N	Tso, O
Begay, N	Daniels, H	Parrish, S	Yanito, C

Nay : 0

Excused : 5

Claw, S	Nez, R	Simpson, D	Yazzie, C
Nez, A			

Not Voting : 2

Simonson, G	Jesus, B
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Presiding Speaker: Curley, C