

RESOLUTION OF THE  
NAVAJO NATION COUNCIL  
24<sup>th</sup> NAVAJO NATION COUNCIL -- First Year, 2019

AN ACTION  
RELATING TO BUDGET AND FINANCE AND NAABIK'ÍYÁTI' COMMITTEES AND  
NAVAJO NATION COUNCIL; ACCEPTING THE AUDIT REPORT OF KPMG LLP ON  
THE BASIC FINANCIAL STATEMENTS OF THE NAVAJO NATION FOR FISCAL  
YEAR 2018

SECTION ONE. AUTHORITY

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

SECTION TWO. FINDINGS

- A. KPMG, LLP, an independent auditor has prepared the 2018 annual audit for the Navajo Nation. The annual audit is attached at **Exhibit A**.
- B. The Navajo Nation finds it in the best interest of the Navajo Nation to accept the 2018 annual audit.

SECTION THREE. APPROVAL

The Navajo Nation hereby accepts the audit report of KPMG LLP, on the Basic Financial Statement of the Navajo Nation for Fiscal Year 2018, attached as **Exhibit A**.

**CERTIFICATION**

I hereby certify that the foregoing resolution was duly considered by the 24<sup>th</sup> 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 12 in Favor, and 00 Opposed, on this 15<sup>th</sup> day of August 2019.

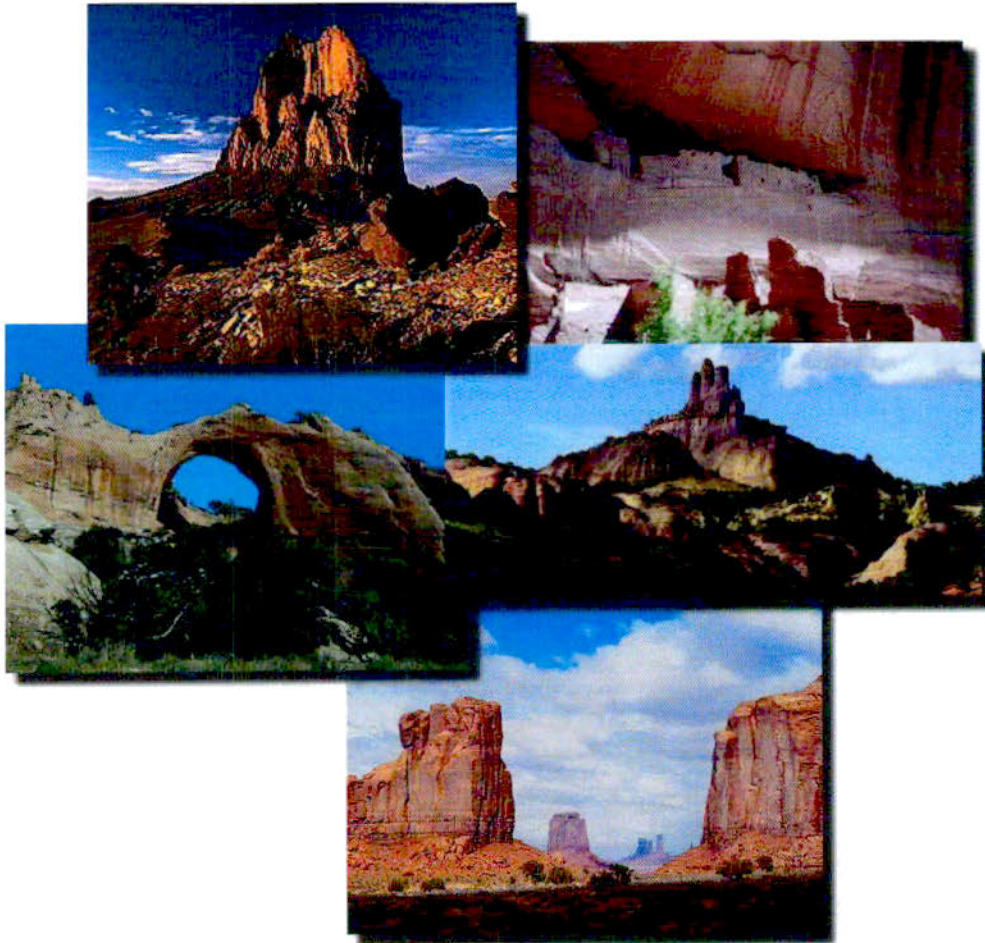
  
Honorable Seth Damon, Speaker  
24<sup>th</sup> Navajo Nation Council

8/15/19  
DATE

Motion: Honorable Raymond Smith, Jr.

Second: Honorable Jimmy Yellowhair

Speaker Seth Damon not voting



Basic Financial Statements - September 30, 2018

# Navajo Nation





# THE NAVAJO NATION

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## Independent Auditors' Report

The Navajo Nation Council  
The Navajo Nation:

### *Report on the Financial Statements*

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Navajo Nation (the Nation), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Nation's basic financial statements of the primary government as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified accrual budget basis of accounting described in note 1; this includes determining that the modified accrual budget basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

### *Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



### *Summary of Opinions*

<b>Opinion unit</b>	<b>Type of opinion</b>
Governmental activities	Unmodified
Business-type activities	Unmodified
Aggregate discretely presented component units	Adverse
General fund	Unmodified
Grant fund	Unmodified
Permanent fund	Unmodified
Aggregate remaining fund information	Unmodified

#### *Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units*

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

#### *Adverse Opinion*

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component units of the Nation as of September 30, 2018, or the changes in financial position thereof for the year then ended in accordance with the modified accrual budget basis of accounting.

#### *Unmodified Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Nation as of September 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified accrual budget basis of accounting described in note 1.

#### *Basis of Accounting*

We draw attention to note 1 of the basic financial statements, which describes the basis of accounting. The basic financial statements are prepared on the modified accrual budget basis of accounting, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.





#### *Other Matters*

##### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise the Nation's basic financial statements. 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 and related ratios (schedule 2), the schedule of the Nation's contributions (schedule 3), the schedule of investment returns (schedule 4), and the combining and individual fund financial statements (schedules 5 to 16) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements (schedules 5 to 16) are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole on the basis of accounting described in note 1.

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 and related ratios (schedule 2), the schedule of the Nation's contributions (schedule 3), and the schedule of investment returns (schedule 4) have not been subjected to the auditing procedures applied in the audit of the basic financial statements, accordingly, we do not express an opinion or provide any assurance on them.

##### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2019 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, 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  
June 17, 2019

**THE NAVAJO NATION**  
Management's Discussion and Analysis  
September 30, 2018  
(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, 2018 and 2017. 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 \$4.3 billion.
- Expenses of the Nation's governmental activities were \$550 million for the year, which included \$137 million for health and welfare, \$112 million for general government, \$103 million for community and rural development, and \$74 million for education and training.
- As of the close of the current fiscal year, the Nation's governmental funds reported combined ending fund balance of \$3.8 billion.
- At September 30, 2018, the unassigned fund balance for the General Fund was \$82 million.
- The Nation has a significant amount of investments in the stock and bond market managed by external investment management firms. For fiscal years 2018 and 2017, the Nation's governmental funds experienced a \$173 million increase and \$230 million increase in fair value, respectively. In addition, the fiduciary funds experienced a \$78 million increase and \$102 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, \$87 million in fiscal year 2018, and \$82 million in fiscal year 2017.

### *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.

## **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.



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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 the majority 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 of the 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.

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 seven 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 18 funds are combined into a single column titled other governmental funds. Individual fund data for each of these nonmajor governmental



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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 funds 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 activities 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.

**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.

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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 \$4.3 billion at September 30, 2018 as compared to \$3.9 billion at September 30, 2017.

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 nonspendable fund balance of \$2.4 billion and \$2.2 billion represents 97% of all nonexpendable net position as of September 30, 2018 and 2017, respectively.

The Nation's net position						
	Governmental activities			Business-type activities		
	2018	2017	Change	2018	2017	Change
(In thousands)						
Current and other assets	\$ 4,372,879	3,986,141	386,738	99,808	85,533	14,275
Capital assets	560,682	504,757	55,925	22,368	19,425	2,943
Deferred outflow of resources, pensions	15,889	39,862	(23,973)	302	712	(410)
Total assets and deferred outflows	<u>\$ 4,949,450</u>	<u>4,530,760</u>	<u>418,690</u>	<u>122,478</u>	<u>105,670</u>	<u>16,808</u>
Long-term liabilities	\$ 213,098	270,170	(57,072)	2,858	3,379	(521)
Other liabilities	508,485	469,680	38,805	1,981	1,189	792
Deferred inflow of resources, pensions	50,355	30,805	19,550	957	550	407
Total liabilities and deferred inflows	<u>\$ 771,938</u>	<u>770,655</u>	<u>1,283</u>	<u>5,796</u>	<u>5,118</u>	<u>678</u>
Net position:						
Net investment in capital assets	\$ 510,036	447,869	62,167	22,368	19,425	2,943
Restricted	2,725,684	2,477,254	248,430	—	—	—
Unrestricted	941,792	834,982	106,810	94,314	81,127	13,187
Total net position	<u>\$ 4,177,512</u>	<u>3,760,105</u>	<u>417,407</u>	<u>116,682</u>	<u>100,552</u>	<u>16,130</u>



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**Analysis of the Nation's Operations**

The following table provides a summary of the Nation's operations for the years ended September 30, 2018 and 2017. Governmental activities increased the Nation's net position by \$417 million in 2018 compared to an increase of \$336 million in 2017. The 2018 increase is largely due to \$257 million in unrestricted investment income and \$84 million land, buildings, business site, and right-of-way lease. The 2017 increase is largely due to \$304 million unrestricted investment income revenue.

Royalties from the sales of oil and gas and sale of coal comprise the majority of program revenues – charges for services. During 2018, the oil and gas prices stabilized resulting in an increase in revenues. The 2018 increase in program revenues – charges for services related to monies received the pasture, rangeland, and forage insurance proceeds. In fiscal year 2018, the General Fund budget was set to a conservative level so that the Nation could manage adjustments in market conditions and try to control expenditures.

The Nation averaged \$308 million of external funding through grants and contracts for each of the past two years. The largest portion of that funding is for health and welfare activities. The Nation received \$307 million of external funding in 2018 compared to \$308 million of external funding in 2017.

The Nation's changes in net position						
	Governmental activities			Business-type activities		
	2018	2017	Change	2018	2017	Change
(In thousands)						
Revenues:						
Program revenues:						
Charges for services	\$ 209,589	141,139	68,450	24,944	21,479	3,465
Operating grants and contributions	285,756	295,847	(10,091)	—	—	—
Capital grants and contributions	21,330	12,583	8,747	—	—	—
General revenues:						
Taxes:						
Business activity	7,331	6,595	736	—	—	—
Possessory interest	24,317	26,342	(2,025)	—	—	—
Sales	46,207	46,693	(486)	—	—	—
Other	18,206	19,778	(1,572)	—	—	—
Unrestricted investment income	257,191	303,712	(46,521)	204	74	130
Land, buildings, business site, and right-of-way lease	84,273	60,818	23,455	—	—	—
Total revenues	954,200	913,507	40,693	25,148	21,553	3,595

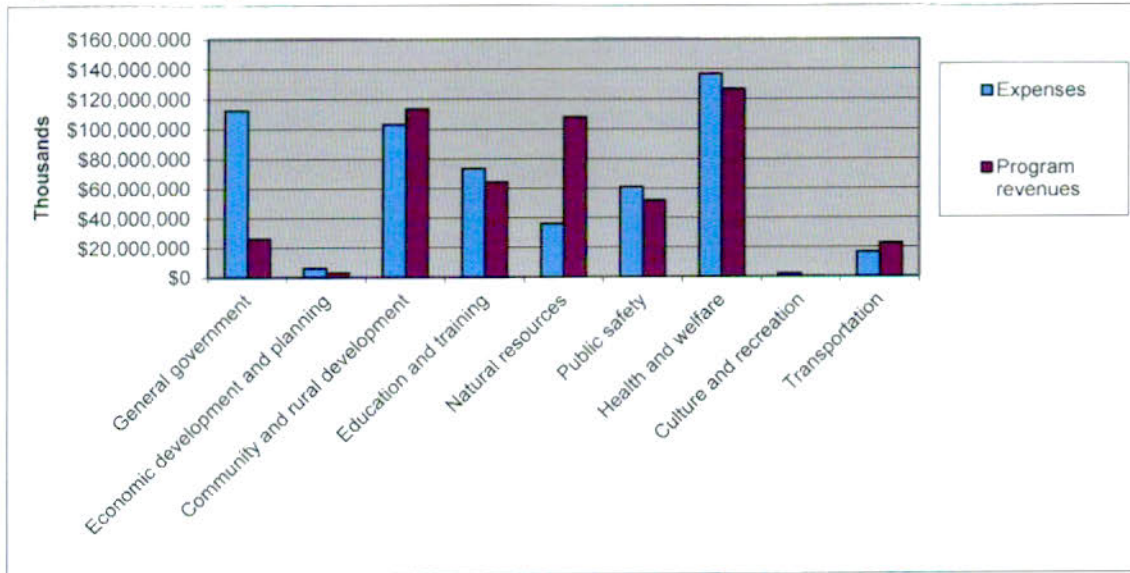


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The Nation's changes in net position						
	Governmental activities			Business-type activities		
	2018	2017	Change	2018	2017	Change
(In thousands)						
Expenses:						
General government	\$ 112,404	102,672	9,732	—	—	—
Economic development and planning	6,045	7,033	(988)	—	—	—
Community and rural development	103,162	164,531	(61,369)	—	—	—
Education and training	73,516	87,662	(14,146)	—	—	—
Natural resources	36,119	35,819	300	—	—	—
Public safety	60,846	58,214	2,632	—	—	—
Health and welfare	136,998	156,895	(19,897)	—	—	—
Culture and recreation	1,958	1,960	(2)	—	—	—
Transportation	16,522	15,767	755	—	—	—
Interest on long-term debt	2,370	2,354	16	—	—	—
Business industrial development fund	—	—	—	3,118	787	2,331
Credit Services	—	—	—	97	1,023	(926)
Navajo Nation Housing	—	—	—	951	959	(8)
Parks and Recreation	—	—	—	4,760	4,329	431
Fish and Wildlife	—	—	—	1,986	1,510	476
Navajo Nation Code	—	—	—	1	—	1
Navajo Transit	—	—	—	16	69	(53)
Livestock Custody	—	—	—	61	80	(19)
Fourth of July	—	—	—	393	145	248
Annual Navajo Nation Fair	—	—	—	1,678	1,726	(48)
Tribal Ranch	—	—	—	876	733	143
Veterinary Medical Sales Fund	—	—	—	332	—	332
Colorado Ranch	—	—	—	256	—	256
Total expenses	549,940	632,907	(82,967)	14,525	11,361	3,164
Increase (decrease) in net assets before transfers and extraordinary item claims settlement	404,260	280,600	123,660	10,623	10,192	431
Transfers	(940)	(2,884)	1,944	940	2,884	(1,944)
Statutory allocations	—	—	—	4,567	4,590	(23)
Extraordinary item – claims settlement	14,087	58,414	(44,327)	—	—	—
Change in net position	417,407	336,130	81,277	16,130	17,666	(1,536)
Net position, beginning of year as restated	3,760,105	3,423,975	336,130	100,552	82,886	17,666
Net position, end of year	\$ 4,177,512	3,760,105	417,407	116,682	100,552	16,130

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**2018 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, 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 \$3.8 billion. Approximately 98% of this total amount is reserved to indicate that it is not available for new spending because it is nonspendable, restricted, committed, and/or assigned.

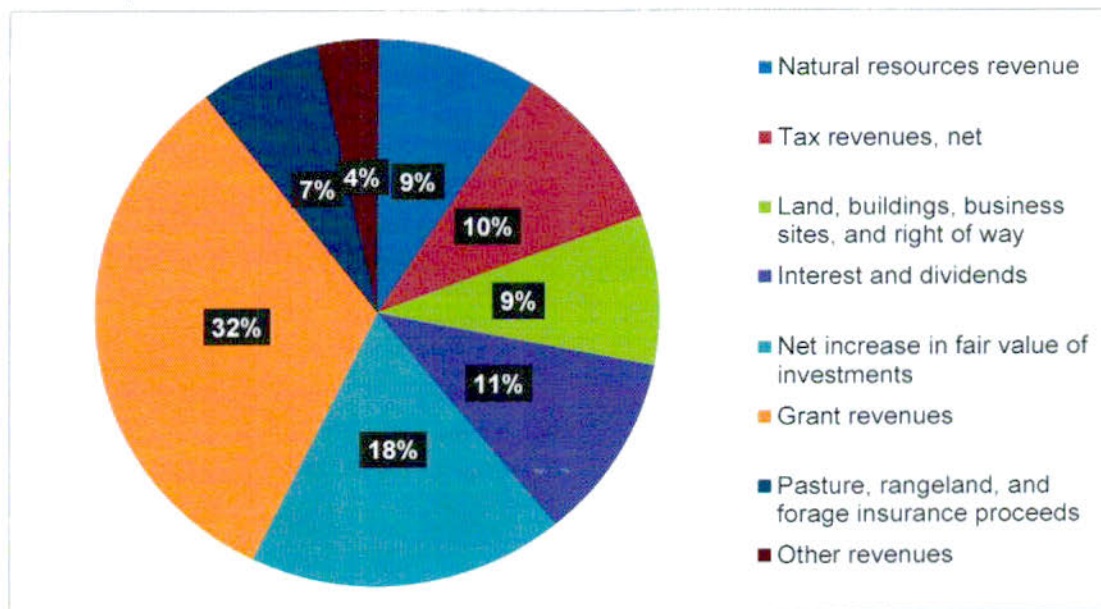
The General Fund's revenues exceeded expenditures by \$87 million during 2018.

At September 30, 2018, the Grant Fund recorded unearned revenue of \$446 million. This amount represents advances on federal grants, primarily through the Bureau of Indian Affairs and Indian Health Services 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 balance increased \$204 million during the year ended September 30, 2018. The fund has a net increase in fair value of investments of \$138 million and interest and dividends of \$66 million. In addition, statutory allocations revenues of \$37 million were added to the fund this year.

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**2018 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, 2018, enterprise fund net position increased \$16 million and internal service fund net position increased \$29 million.

**General Fund Budgetary Highlights**

- The Nation approved appropriations for fiscal year 2018 expenditures of \$266 million. This amount included an initial operating budget of \$191 million and supplemental appropriations approved during the year for various purposes of \$75 million.
- Total net revenues of \$208 million exceeded the original projection of \$164 million by \$45 million.
- On a budgetary basis, revenues exceeded expenditures by approximately \$10 million before transfers and claim settlement.

**Capital Assets**

The Nation's investment in capital assets for its governmental and business-type activities as of September 30, 2018 amounts to \$583 million (net of accumulated depreciation). This investment in capital assets includes land, building, equipment, improvements, infrastructure, and construction in progress.



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The construction in progress of \$31 million increased from the prior year balance of \$8 million, which was attributable to the completion of construction for a judicial building project.

	<b>Governmental activities</b>		<b>Business-type activities</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Land and land development	\$ 121,456	90,981	739	739
Construction in progress	30,645	7,972	3,426	546
Buildings and improvements	493,161	478,679	27,532	26,938
Vehicles	117,834	114,075	—	—
Equipment	87,902	84,745	2,039	2,039
Furniture and fixtures	7,120	6,889	—	—
Accumulated depreciation	(297,436)	(278,584)	(11,368)	(10,837)
Total	\$ 560,682	504,757	22,368	19,425

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

**Debt Administration**

At September 30, 2018, the Nation had the following debt:

<b>Outstanding Debt at Year-End – Notes Payable, Bond Payable, and Bond Premium</b>				
	<b>Governmental activities</b>		<b>Business-type activities</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Notes payable	\$ 3,131	4,498	—	—
Bond payable	47,515	50,290	—	—
Bond premium	1,876	2,100	—	—
Total	\$ 52,522	56,888	—	—

Additional information on the Nation's long-term debt can be found in note 7.

*Economic Factors and Next Year's Budget and Rates*

- The Nation's operating budget is based on estimated revenue projections. Through December 2018, the Nation's actual revenues were at 49% of projected fiscal year 2019 revenues.
- Fluctuation in the market of oil and gas prices and coal prices will impact the Nation's overall revenues. For fiscal year 2019, increasing oil prices are expected to lead to an increase in revenues.
- In fiscal year 2017, a five-year expenditure plan was passed to spend the derived income in the Permanent Fund. The first year (FY 2017) and second year (FY 2018) have been completed. \$31 million is approved for the third, fourth, and fifth years. Any remaining amount is transferred to the General Fund to help fund operations.

## THE NAVAJO NATION

### Management's Discussion and Analysis

September 30, 2018

(Unaudited)

- The Nation has authorized expenditures from the Sihasin Fund for community and rural development projects for the Nation's 110 chapters. The total amount authorized is \$99.4 million.
- The Navajo Nation General Fund revenue is expected to decrease as Peabody Western Coal Company discontinues coal production and sales with the Navajo Generating Station decommissioning in late 2018.
- Standard and Poor's has upgraded the long-term rating on the Navajo Nation Series 2015 General Obligation refunding bond to A. Standard and Poor's also reaffirmed its A issuer credit rating. The outlook is stable for the Nation.

#### *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: Pearline Kirk, Controller, at:

P.O. Box 3150  
Window Rock, Arizona 86515  
928-871-6308  
[pkirk@nnooc.org](mailto:pkirk@nnooc.org)



**THE NAVAJO NATION**  
Statement of Net Position  
Modified Accrual Budget Basis  
September 30, 2018

Assets	Primary government		
	Governmental activities	Business-type activities	Total
Cash and cash equivalents (note 2)	\$ (50,290,885)	79,461,597	29,170,712
Investments (note 2)	1,052,096,494	14,531,367	1,066,627,861
Accounts and notes receivable, net (note 3)	79,090,027	5,764,040	84,854,067
Accrued interest receivable	7,777,329	50,815	7,828,144
Prepaid expenses and other assets	4,950,031	—	4,950,031
Restricted assets:			
Cash and cash equivalents (note 2)	201,912,194	—	201,912,194
Investments (note 2)	2,854,441,476	—	2,854,441,476
Accounts and notes receivable, net (note 3)	216,435,187	—	216,435,187
Accrued interest receivable	4,775,607	—	4,775,607
Other assets	1,691,267	—	1,691,267
Capital assets (note 4):			
Land and construction in progress	152,101,001	4,164,916	156,265,917
Buildings and equipment, net of accumulated depreciation	408,581,376	18,203,288	426,784,644
Total capital assets	560,682,377	22,368,184	583,050,561
Total assets	4,933,561,104	122,176,003	5,055,737,107
<b>Deferred Outflow of Resources</b>			
Pension-related outflows (note 8)	15,888,626	302,237	16,190,863
Total deferred outflow of resources	15,888,626	302,237	16,190,863
Total assets and deferred outflows	\$ 4,949,449,730	122,478,240	5,071,927,970
<b>Liabilities</b>			
Accounts payable and accrued liabilities (note 6)	\$ 60,897,349	1,980,934	62,878,283
Unearned revenue	447,587,664	—	447,587,664
Long-term liabilities (note 7):			
Due within one year	24,809,672	232,041	25,041,713
Due in more than one year	50,263,500	—	50,263,500
Net pension liability	138,025,210	2,625,550	140,650,760
Total long-term liabilities	213,098,382	2,857,591	215,955,973
Total liabilities	721,583,395	4,838,525	726,421,920
<b>Deferred Inflow of Resources</b>			
Pension-related inflows (note 8)	50,354,362	957,854	51,312,216
Total deferred inflow of resources	50,354,362	957,854	51,312,216
<b>Net Position</b>			
Net investment in capital assets	510,036,440	22,368,184	532,404,624
Expendable restricted assets:			
Restricted for community and rural development	135,570,860	—	135,570,860
Restricted for economic development and loans	9,239,691	—	9,239,691
Restricted for education	71,143,963	—	71,143,963
Restricted for claims and refunds	53,048,001	—	53,048,001
Nonexpendable restricted assets:			
Restricted for future government operations	2,398,293,431	—	2,398,293,431
Restricted for chapter activities	58,387,726	—	58,387,726
Unrestricted	941,791,861	94,313,677	1,036,105,538
Total net position	4,177,511,973	116,681,861	4,294,193,834
Total liabilities, deferred inflows, and net position	\$ 4,949,449,730	122,478,240	5,071,927,970

See accompanying notes to basic financial statements.

**THE NAVAJO NATION**  
Statement of Activities  
Modified Accrual Budget Basis  
Year ended September 30, 2018

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	\$ 112,404,239	14,130,685	11,866,448	12,913	(86,394,193)	—	(86,394,193)
Economic development and planning	6,045,300	1,274,435	896,768	939,087	(2,935,010)	—	(2,935,010)
Community and rural development	103,161,915	92,287,078	18,405,842	2,933,883	10,464,888	—	10,464,888
Education and training	73,516,362	7,220,447	56,469,542	533,636	(9,292,737)	—	(9,292,737)
Natural resources	36,119,130	92,004,124	15,276,025	917,324	72,078,343	—	72,078,343
Public safety	60,846,119	1,474,478	47,249,112	3,091,445	(9,031,084)	—	(9,031,084)
Health and welfare	136,997,892	284,385	124,146,922	2,358,248	(10,208,337)	—	(10,208,337)
Culture and recreation	1,957,870	287,183	—	—	(1,670,687)	—	(1,670,687)
Transportation	16,521,915	625,795	11,445,729	10,543,708	6,093,317	—	6,093,317
Interest on long-term debt	2,369,706	—	—	—	(2,369,706)	—	(2,369,706)
Total governmental activities	549,940,448	209,588,610	285,756,388	21,330,244	(33,265,206)	—	(33,265,206)
Business-type activities:							
Business Industrial Development Fund	3,118,214	1,469,861	—	—	—	(1,648,553)	(1,648,553)
Loan Fund	96,737	421,871	—	—	—	325,134	325,134
Employee Housing	951,427	940,039	—	—	—	(11,388)	(11,388)
Parks and Recreation	4,759,989	17,921,922	—	—	—	13,161,933	13,161,933
Fish and Wildlife	1,986,299	968,441	—	—	—	(1,017,858)	(1,017,858)
Navajo Nation Code	597	12,437	—	—	—	11,840	11,840
Navajo Transit Fund	16,125	14,936	—	—	—	(1,189)	(1,189)
Livestock Custody	60,683	218,565	—	—	—	157,882	157,882
Fourth of July Celebration Fund	393,445	182,827	—	—	—	(210,618)	(210,618)
Annual Navajo Nation Fair	1,677,927	907,841	—	—	—	(770,086)	(770,086)
Tribal Ranch	875,395	752,822	—	—	—	(122,573)	(122,573)
Veterinary Medical Sales Fund	331,873	314,813	—	—	—	(17,060)	(17,060)
Colorado Ranch	256,380	817,441	—	—	—	561,061	561,061
Total business-type activities	14,525,091	24,943,616	—	—	—	10,418,525	10,418,525
	\$ 564,465,539	234,532,226	285,756,388	21,330,244	(33,265,206)	10,418,525	(22,846,681)
<b>General Revenue</b>							
Taxes (note 9):							
Business activity					7,331,403	—	7,331,403
Possessory interest					24,316,907	—	24,316,907
Fuel excise					9,385,681	—	9,385,681
Oil and gas severance					5,114,611	—	5,114,611
Sales					46,207,331	—	46,207,331
Tobacco products					328,837	—	328,837
Hotel occupancy					1,436,501	—	1,436,501
Junk food tax					1,840,618	—	1,840,618
Alcohol tax					98,792	—	98,792
Unrestricted investment income					257,190,534	204,492	257,395,026
Statutory allocation					—	4,566,562	4,566,562
Land, buildings, business site, and right-of-way lease					84,273,263	—	84,273,263
Transfers					(939,886)	939,886	—
Extraordinary item – claim settlement					14,087,474	—	14,087,474
Total general revenues and transfers					450,672,066	5,710,940	456,383,006
Change in net position					417,406,860	16,129,465	433,536,325
Net position, beginning of year					3,760,105,113	100,552,396	3,860,657,509
Net position, end of year					\$ 4,177,511,973	116,681,861	4,294,193,834

See accompanying notes to basic financial statements.



**THE NAVAJO NATION**  
**Balance Sheet – Governmental Funds**  
**Modified Accrual Budget Basis**  
**September 30, 2018**

<b>Assets</b>	<b>General fund (Schedule 5)</b>	<b>Grant fund</b>	<b>Permanent fund</b>	<b>Other governmental funds</b>	<b>Total governmental funds</b>
Cash and cash equivalents (note 2)	\$ (72,592,277)	(2,390,849)	56,199,900	126,575,382	107,792,156
Investments (including \$5,443,445 of pledged securities) (note 2)	873,351,295	446,719,420	2,221,428,839	315,012,181	3,856,511,735
Accounts receivable, net	2,877,014	146,971	—	7,790	3,031,775
Accrued interest receivable	6,860,406	—	3,980,669	1,509,185	12,350,260
Note receivable (note 3)	39,345,972	—	145,159,620	52,592,535	237,098,127
Receivable from grantors	—	50,585,327	—	—	50,585,327
Due from other funds (note 5)	29,922,862	—	—	—	29,922,862
Restricted assets	503,580	1,187,687	—	—	1,691,267
Other assets	4,950,031	—	—	—	4,950,031
<b>Total assets</b>	<b>\$ 885,218,883</b>	<b>496,248,556</b>	<b>2,426,769,028</b>	<b>495,697,073</b>	<b>4,303,933,540</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable (note 6)	\$ 12,175,790	10,971,680	3,451,258	6,172,826	32,771,554
Accrued liabilities (note 6)	16,418,422	9,837,756	496,033	—	26,752,211
Due to other funds (note 5)	—	29,922,862	—	—	29,922,862
Unearned revenue	2,013,112	445,516,258	58,294	—	447,587,664
<b>Total liabilities</b>	<b>30,607,324</b>	<b>496,248,556</b>	<b>4,005,585</b>	<b>6,172,826</b>	<b>537,034,291</b>
<b>Fund balances:</b>					
Nonspendable:					
Permanent fund principal	—	—	2,253,133,811	58,387,726	2,311,521,537
Long-term receivable	39,345,972	—	145,159,620	52,592,535	237,098,127
Spendable:					
Restricted for:					
Restricted assets	503,580	—	—	—	503,580
Economic development loans	8,736,111	—	—	—	8,736,111
Education	—	—	—	66,138,091	66,138,091
Special projects	—	—	—	49,052,028	49,052,028
Other capital projects	65,013,710	—	—	10,259,703	75,273,413
Committed for:					
Other capital projects	580,970,952	—	24,470,012	163,840,200	769,281,164
Other purposes	61,818,593	—	—	89,256,035	151,074,628
Assigned to:					
Other purposes	15,975,458	—	—	—	15,975,458
Unassigned	82,247,183	—	—	(2,071)	82,245,112
<b>Total fund balances</b>	<b>854,611,559</b>	<b>—</b>	<b>2,422,763,443</b>	<b>489,524,247</b>	<b>3,766,899,249</b>
<b>Total liabilities and fund balances</b>	<b>\$ 885,218,883</b>	<b>496,248,556</b>	<b>2,426,769,028</b>	<b>495,697,073</b>	
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.					
					554,799,873
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).					
					91,721,035
Amounts presented in the statement of net position relating to net pension outflows					
					15,558,276
Some liabilities, including long-term debt, are not due and payable in the current period and, therefore, are not reported in the governmental funds:					
					(3,130,937)
Long-term bank debt					(47,515,000)
Bond payable					(1,876,330)
Bond premium					(135,155,447)
Net pension liability					(14,481,331)
Compensated absences and retirement accrual					(49,307,415)
Amounts presented in the statement of net position relating to net pension inflows					
					\$ 4,177,511,973
<b>Net position of governmental activities</b>					

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, 2018

Revenues	General fund (Schedule 6)	Grant fund	Permanent fund	Other governmental funds	Total governmental funds
Natural resource revenue:					
Oil and gas	\$ 30,957,804	—	—	—	30,957,804
Mining	56,316,882	—	—	—	56,316,882
Tax revenue, net (note 9)	81,420,721	—	—	14,639,960	96,060,681
Land, buildings, business site, and right-of-way revenue	83,626,663	—	—	646,600	84,273,263
Grant revenue	—	307,086,632	—	—	307,086,632
Interest and dividends	27,958,616	—	66,468,335	10,635,442	105,062,393
Net increase in fair value of investments	23,421,042	—	137,967,466	11,873,212	173,261,720
Pasture, rangeland, and forage insurance proceeds	66,119,529	—	—	—	66,119,529
Other revenue	5,247,542	—	651,284	27,786,915	33,685,741
Statutory allocation to permanent fund	(32,645,423)	—	36,620,464	(2,700,764)	1,274,277
Statutory allocation of current year revenues	(31,105,771)	—	—	18,508,973	(12,596,798)
Total revenues	311,317,605	307,086,632	241,707,549	81,390,338	941,502,124
Expenditures					
Current:					
General government	74,433,563	11,866,448	6,583,723	7,996,443	100,880,177
Economic development and planning	4,566,629	896,768	908	77,716	5,542,021
Community and rural development	73,659,899	18,405,842	3,144,775	10,231,952	105,442,468
Education and training	13,570,837	56,469,542	—	5,818,267	75,858,646
Natural resources	18,455,075	15,276,025	283,163	2,641,071	36,655,334
Public safety	9,452,144	47,249,112	—	3,212,625	59,913,881
Health and welfare	16,936,336	124,146,922	—	—	141,083,258
Culture and recreation	1,142,386	—	—	695,345	1,837,731
Transportation	—	11,445,729	—	2,669,653	14,115,382
Debt service – principal	891,326	—	—	3,251,117	4,142,443
Capital outlay	10,708,533	21,330,244	7,805,060	36,890,007	76,733,844
Total expenditures	223,816,728	307,086,632	17,817,629	73,484,196	622,205,185
Excess of revenues over expenditures	87,500,877	—	223,889,920	7,906,142	319,296,939
Other Financing Sources (Uses)					
Transfers (note 5)	13,971,325	—	(19,828,000)	2,000,000	(3,856,675)
Total other financing sources (uses)	13,971,325	—	(19,828,000)	2,000,000	(3,856,675)
Extraordinary item					
Claim settlement	14,087,474	—	—	—	14,087,474
Total extraordinary item	14,087,474	—	—	—	14,087,474
Net change in fund balances (Exhibit E)	115,559,676	—	204,061,920	9,906,142	329,527,738
Fund balance, beginning of year	739,051,883	—	2,218,701,523	479,618,105	3,437,371,511
Fund balance, end of year	\$ 854,611,559	—	2,422,763,443	489,524,247	3,766,899,249

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, 2018

Net change in fund balances – governmental funds (Exhibit D)		\$ 329,527,738
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	\$ 77,693,673	
Depreciation expense	<u>(19,877,783)</u>	
		57,815,890
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.		(23,451,028)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		4,142,443
Bond premium amortization expense does not require the use of current financial resources and, therefore, is not reported as expenditure in the governmental funds.		223,710
Compensated absences do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		(499,858)
Net pension liabilities do not require the use of current financial resources and, therefore, are not reported in the governmental funds.		39,992,991
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.		(19,161,629)
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>28,816,603</u>
Change in net position of governmental activities (Exhibit B)	\$	<u><u>417,406,860</u></u>

See accompanying notes to basic financial statements.

THE NAVAJO NATION  
Statement of Net Position  
Proprietary Funds  
Modified Accrual Budget Basis  
September 30, 2018

Exhibit F

	Business-type activities – enterprise funds	Governmental activities – internal service funds
<b>Assets and Deferred Outflows</b>		
Current assets:		
Cash and cash equivalents (note 2)	\$ 79,461,597	43,829,153
Investments (note 2)	14,531,367	50,026,235
Receivables:		
Accrued interest receivable	50,815	202,676
Accounts receivable, net	14,138	4,809,985
Current portion of notes receivable (note 3)	1,107,669	—
Total receivables	1,172,622	5,012,661
Total current assets	95,165,586	98,868,049
Noncurrent assets:		
Receivables:		
Notes receivable, net (note 3)	4,642,233	—
Capital assets (note 4):		
Construction in progress	3,425,497	—
Land and land development costs	739,419	—
Buildings	27,532,190	226,328
Vehicles	—	41,482,741
Equipment	2,039,317	6,027,683
Total capital assets	33,736,423	47,736,752
Accumulated depreciation	11,368,239	41,854,248
Capital assets, net	22,368,184	5,882,504
Total noncurrent assets	27,010,417	5,882,504
Pension-related outflows	302,237	330,350
Total deferred outflow of resources	302,237	330,350
Total assets and deferred outflows	\$ 122,478,240	105,080,903
<b>Liabilities, Deferred Inflow, and Net Position</b>		
Current liabilities:		
Accounts payable (note 6)	\$ 1,360,653	622,916
Current portion of compensated absences (note 7)	232,041	273,335
Current estimated claims payable (note 8)	—	7,425,839
Accrued liabilities (note 6)	620,281	750,668
Total current liabilities	2,212,975	9,072,758
Noncurrent liabilities:		
Estimated claims payable (note 7)	—	370,400
Net pension liability (note 8)	2,625,550	2,869,763
Total noncurrent liabilities	2,625,550	3,240,163
Total liabilities	4,838,525	12,312,921
Pension-related inflows	957,854	1,046,947
Total deferred inflow of resources	957,854	1,046,947
Net position:		
Net investment in capital assets	22,368,184	5,882,504
Expendable restricted net position	—	53,048,001
Restricted for claims and refunds	94,313,677	32,790,530
Unrestricted	116,681,861	91,721,035
Total net position	122,478,240	105,080,903
Total liabilities, deferred inflows, and net position	\$ 122,478,240	105,080,903

See accompanying notes to basic financial statements.

## THE NAVAJO NATION

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

## Proprietary Funds

## Modified Accrual Budget Basis

Year ended September 30, 2018

	Business-type activities – enterprise funds	Governmental activities – internal service funds
Operating revenues:		
Rental income	\$ 2,436,431	—
Interest income – notes receivable	394,464	—
Insurance premium income	—	61,475,733
Charges for services	22,043,144	14,529,433
Other income	69,577	9,866,273
Total operating revenues	<u>24,943,616</u>	<u>85,871,439</u>
Operating expenses:		
Personnel	5,260,260	5,433,251
Travel, per diem, and vehicle	897,451	482,261
Supplies	1,032,374	5,634,789
Contractual service	2,749,063	873,802
Lease, telephone, and utilities	490,427	337,533
Repairs and maintenance	581,800	451,942
Provision for bad debts	204,907	109,347
Depreciation expense	547,599	2,167,392
Benefits and claims	—	34,115,772
Tribal grants	2,500,000	—
Reinsurance premiums	34,432	7,544,955
Other expenses	226,778	4,195,656
Total operating expenses	<u>14,525,091</u>	<u>61,346,700</u>
Operating income	10,418,525	24,524,739
Nonoperating revenues:		
Interest and dividends	204,492	819,627
Net increase in fair value of investments	—	555,448
Statutory allocations	4,566,562	—
Total nonoperating revenues	<u>4,771,054</u>	<u>1,375,075</u>
Nonoperating revenues, net	<u>4,771,054</u>	<u>1,375,075</u>
Income before transfers	15,189,579	25,899,814
Transfers (note 5)	<u>939,886</u>	<u>2,916,789</u>
Change in net position	16,129,465	28,816,603
Net position, beginning of year	<u>100,552,396</u>	<u>62,904,432</u>
Net position, end of year	<u>\$ 116,681,861</u>	<u>91,721,035</u>

See accompanying notes to basic financial statements.



**THE NAVAJO NATION**  
Statement of Cash Flows  
Proprietary Funds  
Modified Accrual Budget Basis  
Year ended September 30, 2018

	<u>Business-type activities – enterprise funds</u>	<u>Governmental activities – internal service funds</u>
Cash flows from operating activities:		
Receipts from customers	\$ 25,837,402	14,291,693
Cash received for premiums from the government	—	34,645,130
Cash received from others for premiums	—	33,428,154
Receipt of interest on loans	394,464	—
Payments to employees for services	(4,964,289)	(5,487,103)
Payments of claims	—	(46,363,734)
Payments to suppliers	(331,847)	(5,398,881)
Payments to third parties for services	(4,661,715)	(15,327,176)
Tribal grant payments	(2,500,000)	—
Other (payments) receipts	(157,201)	151,226
Net cash from operating activities	<u>13,616,814</u>	<u>9,939,309</u>
Cash flows from capital and related financing activity:		
Acquisition of capital assets	<u>(3,490,343)</u>	<u>(276,344)</u>
Net cash from capital and related financing activity	<u>(3,490,343)</u>	<u>(276,344)</u>
Cash flows from noncapital and related financing activity:		
Statutory Allocation	4,566,562	—
Transfer	<u>939,886</u>	<u>2,916,789</u>
Net cash from noncapital and related financing activity	<u>5,506,448</u>	<u>2,916,789</u>
Cash flows from investing activities:		
Purchase of investments	(57,538,129)	(91,719,687)
Sales of investments	55,616,171	88,466,767
Interest on investment and cash balances	<u>180,748</u>	<u>741,034</u>
Net cash from investing activities	<u>(1,741,210)</u>	<u>(2,511,886)</u>
Net increase in cash and cash equivalents	13,891,709	10,067,868
Cash and cash equivalents, beginning of year	<u>65,569,888</u>	<u>33,761,285</u>
Cash and cash equivalents, end of year	<u>\$ 79,461,597</u>	<u>43,829,153</u>
Reconciliation of operating income to net cash from operating activities:		
Operating income	\$ 10,418,525	24,524,739
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation expense	547,599	2,167,392
Provision for bad debts	204,907	109,347
Decrease (increase) in accounts receivable	62,334	(3,325,438)
Decrease in notes receivable	1,295,493	—
Decrease in deferred outflows	410,135	522,482
Increase (decrease) in accounts payable and accrued liabilities	791,985	(1,234,916)
Decrease in net pension liability	(572,944)	(959,381)
Increase (decrease) in compensated absences	51,437	(4,845)
Decrease in estimated claims payable	—	(12,247,962)
Increase in deferred inflows	<u>407,343</u>	<u>387,891</u>
Total adjustments	<u>3,198,289</u>	<u>(14,585,430)</u>
Net cash from operating activities	<u>\$ 13,616,814</u>	<u>9,939,309</u>

See accompanying notes to basic financial statements.

**THE NAVAJO NATION**  
Statement of Fiduciary Net Position  
Fiduciary Funds  
Modified Accrual Budget Basis  
September 30, 2018

<b>Assets and Deferred Outflows</b>	<b>Pension trust funds</b>	<b>Private- purpose trust funds</b>
Cash and cash equivalents (note 2)	\$ 22,214,934	29,637,367
Investments (note 2)	1,008,082,857	201,644,921
Accrued interest receivable	1,589,619	692,757
Note receivable (note 3)	—	8,612,914
Participant loans receivable	8,656,671	—
Total assets	<u>1,040,544,081</u>	<u>240,587,959</u>
Pension-related outflows	—	8
Total deferred outflows of resources	<u>—</u>	<u>8</u>
Total assets and deferred outflows	<u>1,040,544,081</u>	<u>240,587,967</u>
<b>Liabilities, Deferred Inflows, and Net Position</b>		
Accounts payable and accrued liabilities (note 6)	274,654	947,042
Net pension liability (note 8)	—	63
Total liabilities	<u>274,654</u>	<u>947,105</u>
Pension-related inflows	—	24
Total deferred inflows of resources	<u>—</u>	<u>24</u>
Net position held in trust for pension benefits and other purposes	<u>\$ 1,040,269,427</u>	<u>239,640,838</u>

See accompanying notes to basic financial statements.

## THE NAVAJO NATION

## Statement of Changes in Fiduciary Net Position

## Fiduciary Funds

Modified Accrual Budget Basis

Year ended September 30, 2018

	Pension trust funds	Private- purpose trust funds
Additions:		
Interest and dividends	\$ 24,799,340	5,389,917
Net increase in fair value of investments	66,615,623	11,373,516
Contributions to plans (note 8)	48,155,314	—
Tax revenue (note 9)	—	10,618,981
Other revenue	267,953	87,728
Statutory allocation of current year revenue, net	—	6,755,959
Total additions	139,838,230	34,226,101
Deductions:		
Personnel	497,354	(335,963)
Travel	56,820	292,564
Supplies	13,333	17,909
Chapter disbursements	—	5,036,151
Tribal grants	—	4,295,281
Utilities	126,030	3,428
Retirement benefits	51,502,194	—
Contractual services	4,207,726	638,022
Scholarship payments	—	321,788
Other	143,026	223,907
Total deductions	56,546,483	10,493,087
Change in net position	83,291,747	23,733,014
Net position, beginning of year	956,977,680	215,907,824
Net position, end of year	\$ 1,040,269,427	239,640,838

See accompanying notes to basic financial statements.



## THE NAVAJO NATION

### Notes to Basic Financial Statements

September 30, 2018

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

##### (a) Reporting Entity

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

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

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

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

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

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

## THE NAVAJO NATION

### Notes to Basic Financial Statements

September 30, 2018

#### **(b) Government-Wide Financial Statements**

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

The 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 includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other revenues not properly included among program revenues are reported as general revenues.

#### **(c) Fund Financial Statements**

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

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

The funds used by the Nation are as follows:

#### **Governmental Funds**

##### **(i) General Fund (Major Fund)**

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

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

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



## THE NAVAJO NATION

### Notes to Basic Financial Statements

September 30, 2018

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

In connection with the adoption of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in 2011, the Nation consolidated several funds, which were previously classified as a special revenue fund type into the General Fund. The following is a list of other funds combined with the General Fund.

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

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

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

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

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

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

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

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

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

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

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

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



**THE NAVAJO NATION**  
Notes to Basic Financial Statements  
September 30, 2018

*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. 10% of sales tax revenue, net of statutory transfers to the Permanent Fund, Veterans Trust Fund, and Land Acquisition Fund are deposited to this Fund.

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

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

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

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

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

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

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

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

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

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

**THE NAVAJO NATION**  
Notes to Basic Financial Statements  
September 30, 2018

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

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

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

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

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

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

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

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

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

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

The Judicial/Public Safety Fund was established to provide funding for judicial and public safety facilities as approved by the Judiciary Committee and Public Safety Committee. Projects or activities funded by this fund include planning, site clearance, and development; site improvement and landscape development; utility access; street access and parking areas; construction, maintenance, renovation, and repair; and debt service financing as needed for these activities. 20% of sales tax revenue, net of statutory transfers to the Permanent Fund, Veterans Trust Fund, and Land Acquisition Fund are deposited to this fund.

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

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

(xiv) *Department of Public Safety (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.



**THE NAVAJO NATION**  
Notes to Basic Financial Statements  
September 30, 2018

(xv) *Healthy Diné Tax Act Fund*

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

(xvi) *Fire & Rescue Services Fund*

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

*Debt Service Fund Type*

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

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

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

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

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

*Permanent Fund Type*

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

(i) *Permanent Fund (Major Fund)*

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

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

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



**THE NAVAJO NATION**  
Notes to Basic Financial Statements  
September 30, 2018

*Proprietary Funds*

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

*Enterprise Fund Type*

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

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

The Business and Industrial Development Fund was established to promote economic development through investment in, and loans to, entities that conduct business on the reservation. 10% of sales tax revenue, net of statutory transfers to the Permanent Fund, Veterans Trust Fund, and Land Acquisition Fund are deposited to this Fund.

(ii) *Loan Fund (Nonmajor Fund)*

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

(iii) *Employee Housing (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.

## THE NAVAJO NATION

### Notes to Basic Financial Statements

September 30, 2018

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

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

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

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

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

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

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

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

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



## THE NAVAJO NATION

### Notes to Basic Financial Statements

September 30, 2018

(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 (Nonmajor 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 (Nonmajor Fund)*

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

(iii) *Office Supply Center (Nonmajor 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 (Nonmajor Fund)*

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

(v) *Group Health Self-Insurance Fund (Nonmajor Fund)*

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

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

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



## THE NAVAJO NATION

### Notes to Basic Financial Statements

September 30, 2018

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

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

#### *Fiduciary Funds*

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

#### *Pension Trust Funds*

(i) *Retirement Fund*

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

(ii) *Deferred Retirement Fund*

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

(iii) *Nihibeeso 401(k) Fund*

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

#### *Private-Purpose Trust Funds*

(i) *Handicapped Services Trust Fund*

The Handicapped Services Trust Fund is used to supplement programs and projects, which provide services to handicapped Navajo citizens. The Navajo Nation Council resolution that

**THE NAVAJO NATION**  
Notes to Basic Financial Statements  
September 30, 2018

established the fund stipulates that the principal may not be expended except pursuant to a referendum adopted by a two-thirds majority vote of registered Navajo voters. 95% of the income earned is available for the stated purpose; the remainder is to be reinvested as principal.

(ii) *Senior Citizens Services Trust Fund*

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

(iii) *Vocational Education Trust Fund*

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

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

(iv) *Navajo Academy Trust Fund*

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

(v) *Navajo Trust Fund*

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

(vi) *Sales Tax Trust Fund*

The Sales Tax Trust Fund is used to accumulate net sales tax revenue collected from retail establishments on the Navajo reservation. The net sales tax revenue collected from retail establishments is to be distributed to the specific Nation chapter in which the retail sale occurred, so long as that chapter is governance certified as defined by the Navajo Nation Local Governance Act. Net sales tax revenue collected from retail establishments where no governance certified



## THE NAVAJO NATION

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chapter exists shall be distributed pursuant to a plan of operation developed by the Nation and approved by the Budget and Finance Committee of the Navajo Nation Council.

(vii) *Local Governance Trust Fund*

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

(viii) *Veterans' Trust Fund*

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

(ix) *Navajo Bennett Freeze Trust Fund*

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

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

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

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



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

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

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

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

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

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

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

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

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

**(e) 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.

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*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	\$ 53,048,001
Restricted for future government operations	<u>2,398,293,431</u>
Total net position restricted by enabling legislation	2,451,341,432
Restricted for community and rural development	135,570,860
Restricted for economic development and loans	9,239,691
Restricted for education	71,143,963
Restricted for chapter activities	<u>58,387,726</u>
Total restricted net position	<u>\$ 2,725,683,672</u>

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

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

(i) *Nonspendable Fund Balance*

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

(ii) *Restricted Fund Balance*

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

(iii) *Committed Fund Balance*

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

(iv) *Assigned Fund Balance*

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



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(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.

(f) ***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 of fund balance.

(g) ***Cash, Cash Equivalents, Restricted Cash, 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 separate bank accounts are not maintained for each of the individual funds. However, the Nation has elected to invest excess cash in short term securities, thereby creating a negative cash balance in certain funds. Cash and cash equivalents and investments should be considered together.

Investment securities are reported at fair value. The Nation utilizes established quoted market prices and model indexes for determining the fair value of its equity and corporate debt securities, respectively. The Nation also holds various alternative investments in real estate and international equity funds, 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.

(h) ***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.



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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.

**(i) *Unearned revenue***

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

**(j) *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.

**(k) *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.

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**(1) 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) Cash, Cash Equivalents, Restricted Cash, and Investments**

A summary of cash and investments as of September 30, 2018 is as follows:

Cash, including money market accounts	\$ 282,935,207
Certificates of deposit	5,443,445
Government and federal agency obligations	1,113,632,451
Municipal bonds	7,430,914
Corporate bonds	821,384,433
Corporate obligations	81,711,619
Marketable securities	2,544,427,615
Alternative investments	311,982,850
Institutional funds	18,899,617
Mutual funds	<u>225,884,171</u>
Total cash and investments	<u>\$ 5,413,732,322</u>

Government-wide financial statements (Exhibit A):

Cash and cash equivalents	\$ 29,170,712
Investments	1,066,627,861
Restricted cash and cash equivalents	201,912,194
Restricted investments	2,854,441,476

Fiduciary funds statement of net assets (Exhibit I):

Pension trust funds:	
Cash and cash equivalents	22,214,934
Investments	1,008,082,857
Private-purpose trust funds:	
Cash and cash equivalents	29,637,367
Investments	<u>201,644,921</u>
	<u>\$ 5,413,732,322</u>



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**(a) Investment Policy**

The Nation's Investment Committee has established an investment policy to provide for the prudent management of invested funds except the Nihibeeso 401(k) Savings Plan fund for which the investments are directed by plan participants. The fundamental goal of the policy is to produce the maximum return possible while preserving the Nation's assets. Qualified investments under the investment policy include investments in domestic equity securities publicly owned and traded; fixed income securities; U.S. Treasury bills and notes and U.S. agency securities; investment in foreign debt and equity; corporate bonds generally with an S&P rating of A or better although high yield bonds that are rated less than investment grade are permitted in certain instances; certificates of deposit, provided 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, 2018, the Nation's deposits were not exposed to custodial credit risk as uninsured or uncollateralized.

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, 2018, the Nation is not exposed to investment custodial credit risk as all of the Nation's investments are held in the Nation's name.

**(c) Credit Risk**

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

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



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The following table provides information on the credit ratings associated with the Nation's investment in debt securities, including pro rata share of mutual fund fixed income as of September 30, 2018:

Rating	Government and federal agency obligations	Municipal bonds	Corporate bonds	Corporate obligations	Institutional funds	Total
AAA	\$ 1,366,218	—	147,444,093	48,322,908	5,017,848	202,151,067
AA	16,393,888	3,346,560	147,441,529	5,824,417	2,101,637	175,108,031
A	—	3,958,877	189,563,569	2,737,839	6,163,166	202,423,451
BBB	1,271,109	—	301,750,400	1,804,118	5,616,966	310,442,593
BB	107,000	—	26,623,039	521,874	—	27,251,913
B	127,500	125,477	3,096,900	197,451	—	3,547,328
CCC	—	—	982,781	1,012,907	—	1,995,688
CC	—	—	28,750	—	—	28,750
Not rated	—	—	4,453,372	21,290,105	—	25,743,477
U.S. government guaranteed	1,094,366,736	—	—	—	—	1,094,366,736
	<u>\$ 1,113,632,451</u>	<u>7,430,914</u>	<u>821,384,433</u>	<u>81,711,619</u>	<u>18,899,617</u>	<u>2,043,059,034</u>

**(d) Interest Rate Risk**

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

As of September 30, 2018, 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	\$ 5,443,445	5,443,445	—	—	—
Government and federal agency obligations	1,113,632,451	679,366,953	90,992,333	55,727,205	287,545,960
Municipal bonds	7,430,914	—	4,347,913	881,391	2,201,610
Corporate bonds	821,384,433	355,203,754	273,010,524	85,844,506	107,325,649
Corporate obligations	81,711,619	—	28,329,089	2,523,472	50,859,058
Institutional funds	18,899,617	8,270,472	10,629,145	—	—
	<u>\$ 2,048,502,479</u>	<u>1,048,284,624</u>	<u>407,309,004</u>	<u>144,976,574</u>	<u>447,932,277</u>

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**(e) Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributable to the magnitude of the Nation's investment in a single type of security. The Nation's investment policy prohibits ownership more than 2.5% of the outstanding common shares of any corporation. With the exception of 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 with the exception of investments issued or explicitly guaranteed by the U.S. government and mutual funds.

**(f) Foreign Currency Risk**

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

Country	Currency	Corporate bonds	Municipal bonds and corporate obligations	Government and federal agency obligations	Marketable securities	Total
Argentina	Peso	\$ 355,443	125,477	127,500	—	608,420
Australia	Dollar	1,765,134	—	—	—	1,765,134
Brazil	Real	3,866,980	—	—	—	3,866,980
Canada	Dollar	20,708,316	5,066,308	132,126	2,690,565	28,597,315
Chile	Peso	899,765	—	—	—	899,765
China	Yuan	—	—	—	3,469,856	3,469,856
Colombia	Peso	565,412	—	—	15,531	580,943
Dominican Republic	Peso	152,251	—	—	—	152,251
EAFE	NA	—	—	—	28,388,790	28,388,790
Europe	Euro	41,716,345	—	672,296	132,236,111	174,624,752
India	Rupee	775,550	—	—	—	775,550
International region	Euro	—	—	—	246,445,082	246,445,082
Israel	Shekel	544,629	—	—	—	544,629
Jamaica	Dollar	163,713	—	—	—	163,713
Japan	Yen	1,533,364	—	—	—	1,533,364
Malaysia	Ringgit	191,043	—	—	—	191,043
Mexico	Peso	5,396,888	—	1,271,109	—	6,667,997
Multi-National Agencies Region	NA	—	—	644,244	—	644,244
Norway	Krone	1,147,298	—	—	—	1,147,298
Panama	Balboa	251,934	—	—	—	251,934
Peru	Inti	335,502	—	—	513,366	848,868
Philippines	Peso	141,603	—	—	—	141,603
Singapore	Dollar	384,944	—	—	—	384,944
		<u>\$ 80,896,114</u>	<u>5,191,785</u>	<u>2,847,275</u>	<u>413,759,301</u>	<u>502,694,475</u>

**(g) Pledged Securities**

As of September 30, 2018, the Nation pledged a \$5,443,445 certificate of deposit as security for debt of the Navajo Nation Hospitality Enterprise, a related party.

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**(h) Fair Value Measurement**

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

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

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



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The Nation has the following recurring fair value measurements as of September 30, 2018:

		Fair value measurement using		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant Unobservable inputs (Level 3)
	Fair value			
Investments held by the Nation:				
Certificates of deposit	\$ 5,443,445	5,443,445	—	—
Governmental and federal agency obligations	1,113,632,451	—	1,113,632,451	—
Municipal bonds	7,430,914	—	7,430,914	—
Corporate bonds	821,384,433	—	821,384,433	—
Corporate obligations	81,711,619	—	81,711,619	—
Mutual funds	225,884,171	225,884,171	—	—
Marketable securities	2,544,427,615	2,544,427,615	—	—
Total investments measured at fair value	4,799,914,648	\$ 2,775,755,231	2,024,159,417	—
	Fair Value	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period
Investments measured at the net asset value (NAV):				
Real estate funds (1)	\$ 311,982,850	—	45 to 90 days	Quarterly
High yield fixed income funds (2)	18,899,617	—	30 days	Monthly
Total investments measured at the NAV	330,882,467	\$ —		
Total investments held	\$ 5,130,797,115			

- (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 and governmental obligations. The fair values of the investments in this type have been determined using the NAV per share of the partner's capital. Distributions from each fund will be received as the underlying investments of the funds are liquidated.

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**(3) Accounts and Notes Receivable**

The notes and accounts receivable in the governmental activities and fiduciary funds comprise the following as of September 30, 2018:

	<b>Governmental activities</b>		<b>Fiduciary</b>	
	<b>Restricted</b>	<b>Unrestricted</b>	<b>funds</b>	<b>Total</b>
Notes receivable:				
Permanent Fund	\$ 145,159,620	—	—	145,159,620
Chapter Government Nation				
Building Fund	7,960,378	—	—	7,960,378
Land Acquisition Fund	—	36,341,244	—	36,341,244
Scholarship Funds	5,005,872	—	—	5,005,872
Navajo Rehabilitation Trust Fund	3,285,041	—	—	3,285,041
Handicapped Services Fund	—	—	1,209,212	1,209,212
Senior Citizen Services Fund	—	—	1,037,880	1,037,880
Vocational Education Fund	—	—	1,208,148	1,208,148
Veterans' Trust Fund	—	—	5,157,674	5,157,674
NNGE note receivable	161,410,911	36,341,244	8,612,914	206,365,069
Sihasin Fund – NTUA				
note receivable	—	39,345,972	—	39,345,972
Receivable from Grantors:				
Grant Fund	50,585,327	—	—	50,585,327
Accounts receivable:				
General Fund	—	1,646,710	—	1,646,710
Sihasin Fund	—	1,230,304	—	1,230,304
Grant Fund	146,971	—	—	146,971
Chapter Government Nation				
Building Fund	7,790	—	—	7,790
Office supply center	—	350,082	—	350,082
Group Health Self-Insurance Fund	4,133,556	—	—	4,133,556
Property and Casualty				
Self-Insurance Fund	12,621	—	—	12,621
Workers' Compensation				
Self-Insurance Fund	138,011	—	—	138,011
Fleet Management Fund	—	175,715	—	175,715
	<u>\$ 216,435,187</u>	<u>79,090,027</u>	<u>8,612,914</u>	<u>304,138,128</u>

**(a) Governmental Accounts Receivable**

Accounts receivable from grantors of \$50,585,327 represent the majority of the governmental activities restricted accounts receivable balance at September 30, 2018.



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**(b) Notes Receivable with Navajo Nation Gaming Enterprise**

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

On April 3, 2012, the existing separate notes receivables were consolidated, along with the extension of additional credit in the form of a construction draw down loan for the Twin Arrows Casino, near Flagstaff, Arizona. The total amount available for the consolidation and the construction drawn down loan is \$200,000,000. The note required interest-only payments from the closing date (April 3, 2012) to June 30, 2013. Thereafter, the loan requires interest and principal payments based on a 15-year amortization schedule with the remaining principal balance due at maturity (March 31, 2020).

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

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

The forbearance agreement was amended on April 29, 2014, August 31, 2014, and December 31, 2014, to extend the forbearance through August 31, 2014, December 31, 2014, and March 31, 2015, respectively. On January 9, 2015, NNGE and the Nation agreed to a three-year extension of the forbearance agreement to December 31, 2017. Also, on January 9, 2015, the accrued but unpaid interest was added to the principal balance of the Loan. During the period beginning January 9, 2015 through the 24-month period commencing on the effective date, the outstanding balance will carry an interest rate of 8% per annum. For the 12-month period commencing at the beginning of the third year following the effective date, the outstanding balance will carry an interest rate of 8% per annum plus a contingent interest of 1% payable from available cash flow. Commencing on July 1, 2016, principal payments are due based on a 30-year amortization schedule.

On December 1, 2017, the Nation amended and restated the loan agreement with NNGE for an amount up to the outstanding principal amount but not to exceed \$208,759,393. The maturity of the note is 15 years after the effective date of December 1, 2017 with an option to renew for an additional 15 years. The interest rate of the loan will be a fixed rate of the 10-year gross annual average return of the Nation's investment portfolio (Master Trust) to be reset every 10 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, 2018, the principal balance is \$203,080,028.

In 2010, the Navajo Hopi Land Commission entered into an agreement with NNGE to fund the purchase of the land, which the Twin Arrows Casino project sits on for \$3,715,777 funded by the Navajo Nation Rehabilitation Trust Fund. Subsequently, the land was brought into Trust and ownership



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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, 2018 is \$3,285,041.

**(c) Notes Receivable with Navajo Tribal Utility Authority**

The note receivable in the Sihasin Fund represents a loan to NTUA for the construction of utility infrastructure that was funded during fiscal years 2017 and 2018. Payments from October 1, 2017 through June 30, 2018 were interest only at 1.16%. Payments from July 1, 2018 through June 30, 2019 are interest only 2.27%. As of September 30, 2018, the note balance is \$39,345,972.

**(d) Notes Receivable in Business-Type Activity Funds**

Notes receivable for business-type activities consist of the following as of September 30, 2018:

Business industrial development fund:	
Big business loans	\$ 2,006,345
Small business loans	2,479,508
Micro loan program	<u>140,013</u>
	4,625,866
Less allowance for doubtful notes:	
Big business loans	(1,835,714)
Small business loans	(2,456,008)
Micro loans	<u>(133,467)</u>
Business industrial development fund loans, net	<u>200,677</u>
Loan fund:	
Home loans	6,187,741
Personal loans	202,395
Veterans' loans	<u>639,508</u>
	7,029,644
Less allowance for doubtful notes:	
Home loans	(868,140)
Personal loans	(190,073)
Veterans' loans	<u>(422,206)</u>
Loan fund loans, net	<u>5,549,225</u>
Notes receivable, net	5,749,902
Less portion due within one year	<u>1,107,669</u>
Notes receivable due in more than one year	<u>\$ 4,642,233</u>

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**(4) Capital Assets**

A summary of changes in capital assets for the year ended September 30, 2018 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	\$ 90,981,425	30,474,121	—	—	121,455,546
Construction in progress	7,971,971	30,071,899	—	(7,398,415)	30,645,455
Total capital assets not being depreciated	<u>98,953,396</u>	<u>60,546,020</u>	<u>—</u>	<u>(7,398,415)</u>	<u>152,101,001</u>
Capital assets being depreciated:					
Building and improvements	478,679,286	7,130,014	(45,893)	7,398,415	493,161,822
Equipment	84,745,340	4,131,544	(974,936)	—	87,901,948
Furniture and fixtures	6,888,645	231,485	—	—	7,120,130
Vehicles	114,074,752	6,027,959	(2,268,414)	—	117,834,297
Total capital assets being depreciated	<u>684,388,023</u>	<u>17,521,002</u>	<u>(3,289,243)</u>	<u>7,398,415</u>	<u>706,018,197</u>
Less accumulated depreciation:					
Building and improvements	106,210,119	12,332,871	(26,814)	—	118,516,176
Equipment	65,997,806	3,909,663	(973,079)	—	68,934,390
Furniture and fixtures	4,498,719	738,807	—	—	5,237,526
Vehicles	101,877,657	5,063,834	(2,192,762)	—	104,748,729
Total accumulated depreciation	<u>278,584,301</u>	<u>22,045,175</u>	<u>(3,192,655)</u>	<u>—</u>	<u>297,436,821</u>
Depreciable capital assets, net	<u>405,803,722</u>	<u>(4,524,173)</u>	<u>(96,588)</u>	<u>7,398,415</u>	<u>408,581,376</u>
Governmental activities, capital assets, net	<u>\$ 504,757,118</u>	<u>56,021,847</u>	<u>(96,588)</u>	<u>—</u>	<u>560,682,377</u>

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	Beginning balance	Increases	Decreases	Transfers	Ending balance
Business-type activities:					
Capital assets not being depreciated:					
Construction in progress	\$ 545,638	3,425,497	—	(545,638)	3,425,497
Land and land development costs	739,419	—	—	—	739,419
Total capital assets not being depreciated	1,285,057	3,425,497	—	(545,638)	4,164,916
Capital assets being depreciated:					
Buildings and improvements	26,937,738	76,693	(27,879)	545,638	27,532,190
Equipment	2,039,317	—	—	—	2,039,317
Total depreciable capital assets	28,977,055	76,693	(27,879)	545,638	29,571,507
Less accumulated depreciation for:					
Buildings	9,584,854	496,965	(16,032)	—	10,065,787
Equipment	1,251,818	50,634	—	—	1,302,452
Total accumulated depreciation	10,836,672	547,599	(16,032)	—	11,368,239
Depreciable capital assets, net	18,140,383	(470,906)	(11,847)	545,638	18,203,268
Business-type activities, capital assets, net	\$ 19,425,440	2,954,591	(11,847)	—	22,368,184



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Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 2,148,630
Economic development and planning	764,186
Community and rural development	2,683,446
Education and training	1,228,974
Natural resources	1,189,448
Public safety	6,028,868
Health and welfare	2,556,522
Culture and recreation	206,655
Transportation	3,071,054
Internal service funds	<u>2,167,392</u>
Total governmental activities depreciation expense	<u>\$ 22,045,175</u>
Business-type activities:	
Business and Industrial Development Fund	\$ 408,508
Parks and Recreation	113,298
Tribal Ranch Fund	4,606
Employee Housing	<u>21,187</u>
Total business-type activities depreciation expense	<u>\$ 547,599</u>

**(5) Interfund Activity**

The composition of interfund activity as of September 30, 2018 is as follows:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Purpose</u>	<u>Amount</u>
General Fund	Grant Fund	Grant expenditures	\$ 29,922,862
			<u>\$ 29,922,862</u>

At September 30, 2018, the following funds have deficit net positions, as follows:

<u>Fund</u>	<u>Cash and cash equivalents</u>	<u>Net position</u>
Air Transportation Fund	\$ (2,994,349)	(1,692,439)
Fire & Rescue Services Fund	32,681	(2,071)
Veterinary Medical Sales Fund	85,007	(17,119)

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

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Interfund transfers are summarized as follows:

	Transfers from					
	General Fund	Parks and Recreation Fund	Permanent Fund	Sihasin Fund	Total	Purpose
Transfers to:						
Capital Outlay Match Fund	\$ 2,000,000	—	—	—	2,000,000	Required transfer
Water Rights Fund	2,000,000	—	—	—	2,000,000	Required transfer
Fish and Wildlife	939,886	—	—	—	939,886	Operating
Sihasin Fund	58,413,809	—	—	—	58,413,809	Transfer settlement
Air Transportation Fund	524,065	—	—	—	524,065	Operating
Contingency Management Fund	1,192,724	—	—	—	1,192,724	Provide support
Group Health Self-Insurance Fund	1,200,000	—	—	—	1,200,000	Provide support
General Fund	—	—	19,828,000	17,464,000	37,292,000	Provide support and fund capital
Fourth of July Celebration Fund	—	332,205	—	—	332,205	Provide support
Total	\$ 66,270,484	332,205	19,828,000	17,464,000	103,894,689	

**(6) Accounts Payable and Accrued Liabilities**

Accounts payable and accrued liabilities as of September 30, 2018 are as follows:

	Vendors	Salaries and benefits	Construction contract payables	Other	Total
Governmental activities:					
General Fund	\$ 14,852,106	8,981,831	750,723	4,009,552	28,594,212
Grant Fund	14,337,049	5,390,298	1,082,089	—	20,809,436
Permanent Fund	3,555,640	12,871	378,780	—	3,947,291
Aggregate nonmajor funds	5,312,931	439,850	259,475	160,570	6,172,826
Internal service funds	982,997	197,950	—	192,637	1,373,584
Total governmental activities	\$ 39,040,723	15,022,800	2,471,067	4,362,759	60,897,349
Business-type activities:					
Enterprise funds	\$ 1,550,350	171,924	103,034	155,626	1,980,934

**(7) Long-Term Liabilities**

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

Note payable to bank — 3.683% and 2.432% (FMIS)	\$ 3,130,937
Total payable	\$ 3,130,937

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
FMIS:			
2019	\$ 914,063	68,681	982,744
2020	937,389	45,355	982,744
2021	961,321	21,423	982,744
2022	318,164	1,716	319,880
	<u>\$ 3,130,937</u>	<u>137,175</u>	<u>3,268,112</u>

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

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	47,515,000	2.9%–5.5%	2020	2030	2016

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
General Obligation Series A – 144A			
2019	\$ 2,855,000	2,194,383	5,049,383
2020	2,940,000	2,110,355	5,050,355
2021	3,025,000	2,023,863	5,048,863
2022	3,110,000	1,980,000	5,090,000
2023	3,235,000	1,855,600	5,090,600
2024–2028	18,615,000	6,842,526	25,457,526
2029–2032	13,735,000	1,537,802	15,272,802
	<u>\$ 47,515,000</u>	<u>18,544,529</u>	<u>66,059,529</u>



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Changes in long-term liabilities for the year ended September 30, 2018 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	\$ 4,498,380	—	1,367,443	3,130,937	914,063
Bonds payable	50,290,000	—	2,775,000	47,515,000	2,855,000
Bond premium	2,100,040	—	223,710	1,876,330	223,710
Compensated absences	14,259,652	13,886,074	13,391,060	14,754,666	13,391,060
Net pension liability	178,977,582	44,297,268	85,249,640	138,025,210	—
Claims and judgments	20,044,201	34,115,772	46,363,734	7,796,239	7,425,839
Governmental activities long-term liabilities	<u>\$ 270,169,855</u>	<u>92,299,114</u>	<u>149,370,587</u>	<u>213,098,382</u>	<u>24,809,672</u>
	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Business-type activities:					
Compensated absences	\$ 180,604	230,850	179,413	232,041	232,041
Net pension liability	3,198,494	619,741	1,192,685	2,625,550	—
Business-type activities long-term liabilities	<u>\$ 3,379,098</u>	<u>850,591</u>	<u>1,372,098</u>	<u>2,857,591</u>	<u>232,041</u>

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

**(8) 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, *Financial Reporting for Pension Plans*.

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

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contribution, the amount of those contributions recognized by the plan, the difference between the two amounts, the amount of covered-employee payroll, and the contributions as a percentage of covered-employee payroll are included as Required Supplementary Information and Notes to Required Supplementary Information.

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

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

**1. Disclosure about the Defined-Benefit Retirement Plan**

This section provides the disclosures about the defined-benefit retirement plan required by GASB Statement No. 67, including the plan description, benefits, and membership at September 30, 2018.

*Plan Description*

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

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

At September 30, 2018, the Nation reported the following membership in the Plan:

	<u>Total</u>
Retired participants	\$ 4,000
Terminated vested participants	4,426
Active participants	<u>4,831</u>
Total covered employees	<u>\$ 13,257</u>



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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, 2018, the required contribution rate approximated 17.9% of covered payroll.

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

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

This section also includes the information that is required to be presented by GASB Statement No. 67, reporting on the financial statements for the defined-benefit plans for the year ended September 30, 2018. 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, 2017 and used update procedures to roll forward the total pension liability to the pension plan's fiscal year-end of September 30, 2018. 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, 2018) and for the Nation's reporting period (the fiscal year ended September 30, 2018). 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, 2018, 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, 2018 as the measurement period.

The total pension liability is determined by an actuarial valuation performed as of the measurement date, or by the use of 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, 2017, to the measurement date of September 30, 2018.



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**(b) Net Pension Liability**

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

	Increase (decrease)		
	Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability (a) – (b)
Balance at September 30, 2017	\$ 1,028,135,485	845,574,035	182,561,450
Changes for the year:			
Service cost	15,911,510	—	15,911,510
Interest	64,518,817	—	64,518,817
Differences between expected and actual experience	(4,664,626)	—	(4,664,626)
Contributions – employer	—	38,770,033	(38,770,033)
Investment income (loss) net of investment expense	—	80,052,392	(80,052,392)
Benefit payments, including refunds of employee contributions	(40,688,946)	(40,688,946)	—
Administrative expenses	—	(1,146,097)	1,146,097
Other changes	—	—	—
Net changes	35,076,755	76,987,382	(41,910,627)
Balance at September 30, 2018	\$ 1,063,212,240	922,561,417	140,650,823

Additional information regarding the changes in the net pension liability for the year ended September 30, 2018 can be found in the Required Supplementary Information immediately following these notes to the financial statements.

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

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

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

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

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

As of September 30, 2018, 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	\$ 672,916	(2,935,065)
Changes of assumptions	15,517,955	—
Net differences between projected and actual earnings on plan investments	—	(48,377,175)
Total	\$ 16,190,871	(51,312,240)

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

Year ending September 30	Amount
2019	\$ 5,384,592
2020	(20,817,149)
2021	(14,482,371)
2022	(5,206,441)
Total	\$ (35,121,369)

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**(d) Pension Expense**

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

Pension expense for the year ended September 30, 2018, is as follows:

Service cost	\$ 15,911,510
Interest on the total pension liability	64,518,817
Differences between expected and actual experience	(317,975)
Changes of assumptions	23,057,882
Projected earnings on pension plan investments	(54,020,179)
Differences between projected and actual earnings on plan investments	(9,076,720)
Pension plan administrative expense	<u>1,146,097</u>
Total pension expense	<u>\$ 41,219,432</u>

**(e) Actuarial Methods and Assumptions**

Methods and assumptions used to determine pension expense and total pension liability are based on a valuation date of September 30, 2018. 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 3.5%–7.0%
Investment rate of return	6.4%
Retirement age	Group-specific rates based on age ranging from 45–65, with 100% by 65 for regular employees, 100% by age 55 for commissioned law enforcement and 100% by age 55 or upon 15 years of service as a judge.



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Mortality:	
Healthy	1983 Group Annuity Mortality table (sex distinct) without projection
Disabled	1985 Pension Disability Mortality table (sex distinct)

While an actuarial experience study has not been conducted, the actuaries periodically review the plan experience for reasonableness of the GAM83 mortality rates.

Additional information regarding changes in the net pension liability for the year ended September 30, 2018 can be found in the Other Supplementary Information (Unaudited) section immediately following these notes to the financial statements.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2018 (see the discussion of the pension plan's investment policy):

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return</u>
Domestic equity	41.00%	6.93%
International equity	12.00	8.55
Fixed income	22.00	4.10
Real estate	10.00	7.06
Global tactical asset allocation	15.00	6.00

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 will 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.

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The annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses for the fiscal year ended September 30, 2018 was 9.45%. 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:

	<u>1 percentage decrease (5.4%)</u>	<u>Current discount rate (6.4%)</u>	<u>1 percentage increase (7.4%)</u>
Nation's net pension liability	\$ 272,124,812	140,650,823	30,378,369

**(h) Nihibeeso Retirement Savings Plan**

The Nation sponsors the Nihibeeso Retirement Savings Plan, a defined-contribution 401(k) plan available to substantially all employees in which the employer matches 50% of the first 6% of salary contributed by the participant. Matching contributions become fully vested after four years of service. The employer may elect to discontinue matching contributions upon notice to participants; the employer also has the right to terminate the plan. Employer contributions were \$2,569,131 and employee contributions were \$6,437,829 for the year ended September 30, 2018.

**(9) Business Activity, Possessory Interest, Fuel Excise, Oil and Gas Severance, Sales, Tobacco Products, and Hotel Occupancy Taxes**

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

**(a) Business Activity Tax**

The business activity tax is imposed on those "engaged in trade, commerce, manufacture, power production, or any other productive activity, whether for profit or not, wholly or in part within the Navajo Nation." The tax is assessed on the gross receipts from the sale of services performed and goods produced within the Nation. According to the Navajo Nation Tax Code, the tax rate shall not be less than 4% or more than 8%. The rate in effect from the initial imposition of the tax through September 30, 2018 has been 5%.

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



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Notes to Basic Financial Statements  
September 30, 2018

**(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, 2018 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, 2018 are 18 cents per gallon of gasoline and 25 cents per gallon of diesel fuel.

**(d) Oil and Gas Severance Tax**

Effective October 1, 1985, a tax was imposed on those who are engaged in the severance of oil and natural gas products within the Nation. The taxes are assessed on the value of the products severed. According to the Code, the annual tax rate shall not be less than 3% or more than 8%. The rate in effect from the imposition of the tax through September 30, 2018 has been 4%.

**(e) Sales Tax**

Effective April 1, 2002, a sales tax was imposed on "those engaged in the sale or leasing of real or personal property of any kind, the sale of services of any kind, and any other productive activity of any kind, whether for profit or not, conducted wholly or partially within the Navajo Nation." According to the Code, the annual tax rate shall not be less than 2% or more than 6%. The rate in effect at September 30, 2018 is 6%.

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

**(f) Tobacco Products Tax**

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

**(g) Hotel Occupancy Tax**

The hotel occupancy tax is assessed on hotel room rentals within the Nation. The funds are to be used to improve tourism in the Nation. The tax rate in effect during the year ended September 30, 2018 was 8%.



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**(h) Junk Food Tax**

Effective October 1, 2014, a junk food tax was imposed on applicable gross receipts from all minimal-to-no nutritional value food items sold. The tax will be reviewed by the Navajo Nation Council at the end of calendar year 2020 for extension. The rate from the imposition of the tax through September 30, 2018 has been 2%.

**(i) Alcohol Tax**

Effective October 1, 2015, a tax was imposed on any retailer or distributor of alcohol products within the Nation. The funds are to be used to improve public safety. The annual tax rate shall not be less than 2% or more than 6%. The rate in effect from the imposition of the tax through September 30, 2018 was 3.25%.

Tax revenues for the year ended September 30, 2018 are summarized as follows:

	General Fund	Navajo Tourism Fund	Navajo Roads Fund	Healthy Dine Act Fund	DPS-Alcohol Tax Fund	Tax Suspense Fund	Total
Business activity tax	\$ 7,184,775	—	—	—	—	146,628	7,331,403
Possessory interest tax	23,830,569	—	—	—	—	486,338	24,316,907
Fuel excise tax	—	—	9,197,974	—	—	187,707	9,385,681
Oil and gas severance tax	5,012,319	—	—	—	—	102,292	5,114,611
Sales tax	45,070,798	—	—	—	—	1,136,533	46,207,331
Tobacco products tax	322,260	—	—	—	—	6,577	328,837
Hotel occupancy tax	—	1,407,771	—	—	—	28,730	1,436,501
Junk food tax	—	—	—	1,803,806	—	36,812	1,840,618
Alcohol tax	—	—	—	—	96,816	1,976	98,792
Total tax revenue	\$ 81,420,721	1,407,771	9,197,974	1,803,806	96,816	2,133,593	96,060,681

The Nation also records net sales tax revenue collected from retail establishments on the Navajo reservation in the Sales Tax Trust Fund. This fund reported \$10,618,981 in tax revenue for the year ended September 30, 2018.

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.

**(10) Commitments and Contingent Liabilities**

The following are the significant financial commitments and contingent liabilities of the Nation at September 30, 2018, in addition to the items further described in notes 2, 7, 8, 11, and 12:

**(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 \$128,090.

**THE NAVAJO NATION**  
Notes to Basic Financial Statements  
September 30, 2018

**(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.

**(11) 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.

**(b) Matters Related to Grants**

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

**(c) Unasserted Claims**

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

**(12) Risk Management**

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

The Nation and certain enterprises of the Nation have established a risk management plan codified under the Navajo Nation Code for workers' compensation. The activity is accounted for in the Workers' Compensation Self-Insurance Fund, an internal service fund, in the accompanying financial statements. During the year ended September 30, 2018, premiums of \$2,716,959 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 NAVAJO NATION**  
Notes to Basic Financial Statements  
September 30, 2018

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.

The amounts and changes in the Nation's Risk Management program claims payable for the years ended September 30, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Property and Casualty Self-Insurance (Risk Management) Fund:		
Claims payable, beginning of year	\$ 2,400,427	1,882,486
Current year claims and changes in estimates	2,407,406	3,137,667
Claim payments	<u>(3,185,608)</u>	<u>(2,619,726)</u>
Claims payable, end of year	<u>\$ 1,622,225</u>	<u>2,400,427</u>
Workers' Compensation Self-Insurance Fund:		
Claims payable, beginning of year	\$ 303,614	303,614
Current year claims and changes in estimates	1,859,745	2,348,649
Claim payments	<u>(1,859,745)</u>	<u>(2,348,649)</u>
Claims payable, end of year	<u>\$ 303,614</u>	<u>303,614</u>
Group Health Benefit Self-Insurance Fund:		
Claims payable, beginning of year	\$ 13,500,000	8,700,000
Current year claims and changes in estimates	31,041,345	38,976,383
Claim payments	<u>(39,041,345)</u>	<u>(34,176,383)</u>
Claims payable, end of year	<u>\$ 5,500,000</u>	<u>13,500,000</u>

**(13) Extraordinary Item – Claim Settlements**

Settlement 1:

The Indian Self-Determination and Education Assistance Act directs the Secretary of the Interior to enter into contracts with willing tribes under which they will provide services such as education and law enforcement that the Federal Government otherwise would have provided. It requires the Secretary to contract to pay the "full amount" of "contract support costs," 45 U. S. C. §§450j-1(a)(2), (g), subject to the availability of appropriations, §450j-1(b). In the event of a contractual breach, tribal contractors are entitled to seek money damages under the Contract Disputes Act.



## THE NAVAJO NATION

### Notes to Basic Financial Statements

September 30, 2018

In Fiscal Years (FYs) 1994 to 2001, respondent Tribes contracted with the Secretary to provide services. During each of those FYs, Congress appropriated sufficient funds to pay any individual tribal contractor's contract support costs in full but did not appropriate enough to pay all tribal contractors collectively. Unable to pay every contractor in full, the Secretary paid the Tribes on a uniform, pro rata basis. Respondents sued under the Contract Disputes Act for breach of contract. The District Court granted the Government summary judgment. The Tenth Circuit reversed, finding the Government liable to each contractor for the full contract amount.

On August 15, 2016, the United States announced a settlement resolving these claims in the amount of \$862 million payable to 699 tribal governments and organizations. In 2018, the Navajo Nation received \$1.3 million, which represents their final distribution from the settlement.

#### Settlement 2:

The Nation submitted contract claims to the Indian Health Service (IHS) of the United States Department of Health and Human Services (HHS) alleging that IHS breached its contract with the Nation in calendar years 2006 through 2010 by failing to pay contract support costs as required by the contracts and the Indian Self-Determination and Education Assistance Act, codified by 25 U.S.C. §5301-5423. The Nation filed appeals regarding its claims for calendar years 2006 through 2010 to the Civilian Board of Contract Appeals. The Nation and HHS resolved the dispute and the Nation received a settlement of \$12,801,310.

#### **(14) Subsequent Events**

The Nation has evaluated subsequent events from the balance sheet date through June 17, 2019, the date at which the financial statements were available to be issued, and determined there are no additional items to disclose.

## THE NAVAJO NATION

## General Fund

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

Year ended September 30, 2018

(Unaudited Other Supplementary Information)

	Original budget	Final budget	Actual (budgetary basis)	September 30, 2018 Designated fund balance carryover	Budget variance favorable (unfavorable)
<b>Revenues</b>					
Natural resource revenue:					
Oil and gas	\$ 25,378,000	25,378,000	30,957,804	—	5,579,804
Mining	45,381,000	45,381,000	56,316,882	—	10,935,882
Tax revenue, net (note 10)	62,965,000	62,965,000	81,420,721	—	18,455,721
Land, buildings, business site, and right-of-way revenue	62,644,000	62,644,000	83,626,663	—	20,982,663
Interest and dividends	2,500,000	2,500,000	13,218,027	—	10,718,027
Net increase in fair value of investments	—	—	1,293,470	—	1,293,470
Other revenue	750,000	750,000	5,208,927	—	4,458,927
Statutory allocation to permanent fund	(24,002,000)	(24,002,000)	(32,645,423)	—	(8,643,423)
Statutory allocation of current year revenues	(12,001,000)	(12,001,000)	(31,105,771)	—	(19,104,771)
Total revenues	<u>163,615,000</u>	<u>163,615,000</u>	<u>208,291,300</u>	<u>—</u>	<u>44,676,300</u>
<b>Expenditures</b>					
General government	87,933,568	128,573,252	84,658,962	27,109,553	16,804,737
Economic development and planning	5,470,463	6,434,915	5,350,840	135,258	948,817
Community and rural development	32,089,491	43,173,695	47,279,643	1,401,277	(5,507,225)
Education and training	19,522,368	30,676,137	13,134,196	8,234,864	9,307,077
Natural resources	18,301,229	22,659,539	18,755,813	1,231,647	2,672,079
Public safety	9,677,875	10,195,530	9,716,832	146,239	332,459
Health and welfare	16,638,601	22,510,054	18,678,834	1,837,411	1,993,809
Culture and recreation	1,029,490	1,499,007	1,205,671	166,244	127,092
Total expenditures	<u>190,663,085</u>	<u>265,722,129</u>	<u>198,780,791</u>	<u>40,262,493</u>	<u>26,678,845</u>
<b>Other financing sources (uses)</b>					
Transfers	—	—	(28,978,484)	—	(28,978,484)
Total other financing uses	<u>—</u>	<u>—</u>	<u>(28,978,484)</u>	<u>—</u>	<u>(28,978,484)</u>
<b>Extraordinary item</b>					
Claim settlement	—	—	14,087,474	—	14,087,474
Total extraordinary item	<u>—</u>	<u>—</u>	<u>14,087,474</u>	<u>—</u>	<u>14,087,474</u>
Net change under budgetary basis	\$ <u>(27,048,085)</u>	<u>(102,107,129)</u>	<u>(5,380,501)</u>	<u>(40,262,493)</u>	<u>56,464,135</u>
Reconciliation of budgetary basis net change to net change from schedule 6:					
Less beginning encumbrances			\$ (7,271,105)		
Add ending encumbrances			<u>15,975,458</u>		
Modified accrual budget net change in fund balance			<u>\$ 3,323,852</u>		

See accompanying independent auditors' report.

**THE NAVAJO NATION**

Pension Other Supplementary Information

Schedule of Changes in the Net Position Liability and Related Ratios (dollars in thousands)

Year ended September 30, 2018

(Unaudited Other Supplementary Information)

	<u>2018</u>	<u>2017</u>
Total pension liability:		
Service cost	\$ 15,912	13,780
Interest	64,519	63,374
Changes of benefit terms	—	—
Differences between expected and actual experience	(4,665)	2,672
Changes of assumptions	—	61,633
Benefit payments, including refunds of member contributions	<u>(40,689)</u>	<u>(36,706)</u>
Net change in total pension liability	35,077	104,753
Total pension liability – beginning	<u>1,028,135</u>	<u>923,382</u>
Total pension liability – ending (a)	<u>1,063,212</u>	<u>1,028,135</u>
Plan fiduciary net position:		
Contributions – employer	38,770	42,920
Contributions – member	—	—
Net investment income	80,052	98,506
Benefit payments, including refunds of member contributions	(40,689)	(36,706)
Administrative expense	(1,146)	(1,521)
Other	<u>—</u>	<u>—</u>
	76,987	103,199
Plan fiduciary net position – beginning	<u>845,574</u>	<u>742,375</u>
Plan fiduciary net position – ending (b)	<u>922,561</u>	<u>845,574</u>
Nation's net pension liability – ending (a) – (b)	\$ <u>140,651</u>	<u>182,561</u>
Plan fiduciary net position as a percentage of the total pension liability	86.77%	82.24%
Covered-employee payroll	\$ 178,346	173,182
Nation's net pension liability as a percentage of covered-employee payroll	78.86%	105.42%

Notes to schedule:

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

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

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

See accompanying independent auditors' report.



Schedule 2

2016	2015	2014	2013	2012
13,297	12,939	14,222	(Historical information prior to implementation of GASB 67 and 68 is not required)	
60,576	57,582	54,812		
—	302	5,300		
1,507	4,911	—		
—	—	—		
(34,170)	(31,180)	(28,415)		
41,210	44,554	45,919		
882,172	837,618	791,699		
923,382	882,172	837,618		
46,473	49,975	47,750		
—	—	—		
72,162	(6,703)	63,712		
(34,170)	(31,179)	(28,415)		
(1,092)	(1,157)	(1,114)		
—	—	—		
83,373	10,936	81,933		
659,002	648,066	566,133		
742,375	659,002	648,066		
181,007	223,170	189,552		
80.40%	74.70%	77.37%		
171,504	168,042	179,682		
105.54%	132.81%	105.49%		

## THE NAVAJO NATION

## Pension Other Supplementary Information

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

Year ended September 30, 2018

(Unaudited Other Supplementary 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
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)			
2012					
2011					
2010					
2009					
2008					

## Notes to schedule:

## Valuation date:

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

## Methods and assumptions used to determine contribution rates

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

## Actuarial assumptions:

Inflation	2.50%
Salary increases	Age-graded scale 3.5% – 7.0%
Investment rate of return	6.4%

## Retirement age

Group-specific rates based on age ranging from 45–65, with 100% by 65 for regular employees, 100% by age 55 for commissioned law enforcement and 100% by age 55 or upon 15 years of service as a judge.

## Mortality:

Healthy	1983 Group Annuity Mortality table (sex distinct)
Disabled	1985 Pension Disability Mortality table (sex distinct)

See accompanying independent auditors' report.

## THE NAVAJO NATION

Pension Other Supplementary Information

Schedule of Investment Returns (dollars in thousands)

Year ended September 30, 2018

(Unaudited Other Supplementary Information)

<u>Fiscal year ended</u>	<u>Annual money-weighted rate of return, net of investment expense</u>
2018	9.45
2017	13.24
2016	11.15
2015	(1.03)
2014	10.76
2013	(Historical information prior to implementation of GASB 67 is not required)
2012	
2011	
2010	
2009	
2008	

See accompanying independent auditors' report.



**THE NAVAJO NATION**  
Combining Balance Sheet – General Fund  
Modified Accrual Budget Basis  
September 30, 2018

<b>Assets</b>	<b>General Fund</b>	<b>Navajo Dam Escrow Fund</b>	<b>Oil and Gas Development Fund</b>
Cash and cash equivalents	\$ (181,605,755)	16,815	104,096
Investments (including \$5,443,445 of pledged securities)	369,852,687	3,270,642	693,597
Accounts receivable, net	1,646,710	—	—
Accrued interest receivable	5,563,339	5,209	2,881
Note receivable	—	—	—
Due from other funds	29,922,862	—	—
Restricted assets	503,580	—	—
Other assets	—	—	—
Total assets	<u>\$ 225,883,423</u>	<u>3,292,666</u>	<u>800,574</u>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 11,618,765	—	—
Accrued liabilities	16,050,217	—	—
Unearned revenue	2,013,112	—	—
Total liabilities	<u>29,682,094</u>	<u>—</u>	<u>—</u>
Fund balances:			
Nonspendable:			
Long-term receivables	—	—	—
Spendable:			
Restricted for:			
Restricted assets	503,580	—	—
Economic development loans	5,443,445	3,292,666	—
Other capital projects	17,464,000	—	—
Committed for:			
Other capital projects	14,430,407	—	—
Other purposes	60,137,256	—	800,574
Assigned to:			
Other purposes	15,975,458	—	—
Unassigned			
General Fund	82,247,183	—	—
Total fund balances	<u>196,201,329</u>	<u>3,292,666</u>	<u>800,574</u>
Total liabilities and fund balances	<u>\$ 225,883,423</u>	<u>3,292,666</u>	<u>800,574</u>

See accompanying independent auditors' report.

## Schedule 5

Navajo Nation Reforestation Fund	Capital Outlay Match Fund	Sihasin Fund	License Plate Revenue Fund	Total General Funds
353,857	(13,022)	108,000,269	551,463	(72,592,277)
—	15,778,092	483,756,277	—	873,351,295
—	—	1,230,304	—	2,877,014
—	56,486	1,232,491	—	6,860,406
—	—	39,345,972	—	39,345,972
—	—	—	—	29,922,862
—	—	—	—	503,580
—	—	4,950,031	—	4,950,031
<u>353,857</u>	<u>15,821,556</u>	<u>638,515,344</u>	<u>551,463</u>	<u>885,218,883</u>
573	151,498	404,954	—	12,175,790
23,984	344,058	163	—	16,418,422
—	—	—	—	2,013,112
<u>24,557</u>	<u>495,556</u>	<u>405,117</u>	<u>—</u>	<u>30,607,324</u>
—	—	39,345,972	—	39,345,972
—	—	—	—	503,580
—	—	—	—	8,736,111
—	—	47,549,710	—	65,013,710
—	15,326,000	551,214,545	—	580,970,952
329,300	—	—	551,463	61,818,593
—	—	—	—	15,975,458
—	—	—	—	82,247,183
<u>329,300</u>	<u>15,326,000</u>	<u>638,110,227</u>	<u>551,463</u>	<u>854,611,559</u>
<u>353,857</u>	<u>15,821,556</u>	<u>638,515,344</u>	<u>551,463</u>	<u>885,218,883</u>

# THE NAVAJO NATION

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

### General Fund

#### Modified Accrual Budget Basis

Year ended September 30, 2018

	General Fund	Navajo Dam Escrow Fund	Oil and Gas Development Fund
<b>Revenues</b>			
Natural resource revenue:			
Oil and gas	\$ 30,957,804	—	—
Mining	56,316,882	—	—
Tax revenue, net	81,420,721	—	—
Land, buildings, business site, and right-of-way revenue	83,626,663	—	—
Interest and dividends	13,218,027	29,539	10,076
Net increase in fair value of investments	1,293,470	—	—
Pasture, rangeland, and forage insurance proceeds	—	—	—
Other revenue	5,208,927	—	—
Statutory allocation to permanent fund	(32,645,423)	—	—
Statutory allocation of current year revenues	(31,105,771)	—	—
Total revenues	208,291,300	29,539	10,076
<b>Expenditures</b>			
Current:			
General government	72,231,323	—	—
Economic development and planning	4,566,629	—	—
Community and rural development	42,706,143	—	—
Education and training	13,570,837	—	—
Natural resources	18,389,134	—	—
Public safety	9,452,144	—	—
Health and welfare	16,936,336	—	—
Culture and recreation	1,142,386	—	—
Capital outlay	10,190,180	—	—
Debt service – principal	891,326	—	—
Total expenditures	190,076,438	—	—
Excess (deficit) of revenues over (under) expenditures	18,214,862	29,539	10,076
<b>Other Financing Sources (Uses)</b>			
Transfers	(28,978,484)	—	—
Total other financing sources (uses)	(28,978,484)	—	—
<b>Extraordinary Item</b>			
Claim settlement	14,087,474	—	—
Total extraordinary item	14,087,474	—	—
Net change in fund balances	3,323,852	29,539	10,076
Fund balance, beginning of year	192,877,477	3,263,127	790,498
Fund balance, end of year	\$ 196,201,329	3,292,666	800,574

See accompanying independent auditors' report.



## Schedule 6

Navajo Nation Reforestation Fund	Capital Outlay Match Fund	Sihasin Fund	License Plate Revenue Fund	Total General Funds
—	—	—	—	30,957,804
—	—	—	—	56,316,882
—	—	—	—	81,420,721
—	—	—	—	83,626,663
—	238,717	14,462,257	—	27,958,616
—	—	22,127,572	—	23,421,042
—	—	66,119,529	—	66,119,529
1,384	—	358	36,873	5,247,542
—	—	—	—	(32,645,423)
—	—	—	—	(31,105,771)
1,384	238,717	102,709,716	36,873	311,317,605
—	—	2,202,240	—	74,433,563
—	—	—	—	4,566,629
—	3,619,309	27,334,447	—	73,659,899
—	—	—	—	13,570,837
65,941	—	—	—	18,455,075
—	—	—	—	9,452,144
—	—	—	—	16,936,336
—	—	—	—	1,142,386
44,163	474,190	—	—	10,708,533
—	—	—	—	891,326
110,104	4,093,499	29,536,687	—	223,816,728
(108,720)	(3,854,782)	73,173,029	36,873	87,500,877
—	2,000,000	40,949,809	—	13,971,325
—	2,000,000	40,949,809	—	13,971,325
—	—	—	—	14,087,474
—	—	—	—	14,087,474
(108,720)	(1,854,782)	114,122,838	36,873	115,559,676
438,020	17,180,782	523,987,389	514,590	739,051,883
329,300	15,326,000	638,110,227	551,463	854,611,559

**THE NAVAJO NATION**  
Combining Balance Sheet  
Nonmajor Governmental Funds  
Modified Accrual Budget Basis  
September 30, 2018

	Special revenue								
Assets	Scholarship Fund	Navajo Tourism Fund	Navajo Nation Environmental Protection Agency Fund	Tax Suspense Fund	Water Rights Fund	Navajo Nation Roads Fund	Land Acquisition Fund	Navajo Rehabilitation Trust Fund	Gaming Development Fund
Cash and cash equivalents	\$ 15,989,085	6,663,571	53,849,480	7,452,637	3,335,564	1,861,794	7,001,695	332,928	13,154,647
Investments	56,770,455	—	5,118,168	594,766	6,635,699	34,319,098	122,905,604	6,116,665	—
Accounts receivable	—	—	—	—	—	—	—	—	—
Accrued interest receivable	201,228	6,749	21,132	5,866	23,241	240,417	455,656	23,483	—
Note receivable	5,005,872	—	—	—	—	—	36,341,244	3,285,041	—
Total receivables	5,207,100	6,749	21,132	5,866	23,241	240,417	36,796,900	3,308,524	—
Total assets	\$ 77,966,640	6,670,320	58,988,780	8,053,269	9,994,504	36,421,309	166,704,199	9,758,117	13,154,647
Liabilities and Fund Balance									
Accounts payable	\$ 97,664	59,446	1,177,440	—	491,347	2,885,254	58,810	3,485	354,255
Total liabilities	97,664	59,446	1,177,440	—	491,347	2,885,254	58,810	3,485	354,255
Fund balance									
Nonspendable									
Permanent fund principal	—	—	—	—	—	—	—	—	—
Long-term receivables	5,005,872	—	—	—	—	—	36,341,244	3,285,041	—
Spendable:									
Restricted to									
Education	66,138,091	—	—	—	—	—	—	—	—
Special projects	—	—	46,126,232	—	—	—	—	—	—
Capital projects	—	—	—	—	—	—	—	6,469,591	—
Committed for									
Other capital projects	—	—	—	—	—	33,536,055	130,304,145	—	—
Other purposes	6,725,013	6,610,874	11,685,108	8,053,269	9,503,157	—	—	—	12,800,392
Unassigned	—	—	—	—	—	—	—	—	—
Total fund balance	77,868,976	6,610,874	57,811,340	8,053,269	9,503,157	33,536,055	166,645,389	9,754,632	12,800,392
Total liabilities and fund balance	\$ 77,966,640	6,670,320	58,988,780	8,053,269	9,994,504	36,421,309	166,704,199	9,758,117	13,154,647

See accompanying independent auditors' report.

Gaming Revenue Distribution Fund	Judicial Public Safety Facilities Fund	DPS Gaming Fund	DPS Alcohol Tax Fund	Healthy Dine Tax Act Fund	Fire & Rescue Services Fund	Debt Service		Permanent Chapter Government Nation Building Fund	Total
						FMS Key Bank Loan Fund	NTUA Key Bank Loan Fund		
11,415,465	(1,918,181)	1,805,261	152,994	1,610,808	32,681	2,927,961	8,114	898,878	126,575,382
—	21,504,205	—	—	—	—	—	—	61,047,521	315,012,181
—	—	—	—	—	—	—	—	7,790	7,790
—	183,376	—	—	—	—	—	—	348,037	1,509,185
—	—	—	—	—	—	—	—	7,960,378	52,592,535
—	183,376	—	—	—	—	—	—	8,316,205	54,109,510
11,415,465	19,769,400	1,805,261	152,994	1,610,808	32,681	2,927,961	8,114	70,262,604	495,697,073
42,421	801,855	4,238	—	35,306	34,752	2,165	—	124,388	6,172,826
42,421	801,855	4,238	—	35,306	34,752	2,165	—	124,388	6,172,826
—	—	—	—	—	—	—	—	58,387,726	58,387,726
—	—	—	—	—	—	—	—	7,960,378	52,592,535
—	—	—	—	—	—	—	—	—	66,138,091
—	—	—	—	—	—	2,925,796	—	—	49,052,028
—	—	—	—	—	—	—	—	3,790,112	10,259,703
—	—	—	—	—	—	—	—	—	163,840,200
11,373,044	18,967,545	1,801,023	152,994	1,575,502	—	—	8,114	—	89,256,035
—	—	—	—	—	(2,071)	—	—	—	(2,071)
11,373,044	18,967,545	1,801,023	152,994	1,575,502	(2,071)	2,925,796	8,114	70,138,216	489,524,247
11,415,465	19,769,400	1,805,261	152,994	1,610,808	32,681	2,927,961	8,114	70,262,604	495,697,073



**THE NAVAJO NATION**  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds  
Modified Accrual Budget Basis  
Year ended September 30, 2018

	Special revenue								
	Scholarship Fund	Navajo Tourism Fund	Navajo Nation Environmental Protection Agency Fund	Tax Suspense Fund	Water Rights Fund	Navajo Nation Roads Fund	Land Acquisition Fund	Navajo Rehabilitation Trust Fund	Gaming Development Fund
Revenues									
Tax revenue	\$ —	1,407,771	—	2,133,593	—	9,197,974	—	—	—
Land, buildings, business site, and right-of-way revenue	—	—	—	—	—	—	—	646,600	—
Interest and dividends	1,626,626	92,832	157,352	49,735	110,930	458,789	5,042,125	422,580	—
Net increase in fair value of investments	3,855,710	—	—	—	—	—	8,171,251	—	—
Other revenue	1,634,796	—	4,536,308	—	735,367	130,133	43,846	—	9,690,742
Statutory allocation to permanent fund	—	(168,933)	—	—	—	(1,103,756)	—	—	—
Statutory allocation of current year revenues	4,566,562	—	—	—	—	(551,877)	6,075,201	—	—
Total revenues	11,683,694	1,331,670	4,693,660	2,183,328	846,297	8,131,263	19,332,523	1,069,180	9,690,742
Expenditures									
General government	—	—	—	—	—	—	—	—	6,844,717
Economic and development	—	—	—	—	—	—	—	77,716	—
Community and rural development	—	—	—	—	4,023,692	—	1,641,383	—	—
Education and training	5,818,267	—	—	—	—	—	—	—	—
Natural resources	—	—	2,641,071	—	—	—	—	—	—
Public safety	—	—	—	—	—	—	—	—	—
Culture and recreation	—	695,345	—	—	—	—	—	—	—
Transportation	—	—	—	—	—	2,669,653	—	—	—
Capital outlay	—	137,662	—	—	—	6,266,929	30,047,197	71,117	—
Debt service – principal	—	—	—	—	—	—	—	—	—
Total expenditures	5,818,267	833,007	2,641,071	—	4,023,692	8,936,582	31,688,580	148,833	6,844,717
Excess (deficiency) of revenues over (under) expenditures	5,865,427	498,663	2,052,589	2,183,328	(3,177,395)	(805,319)	(12,356,057)	920,347	2,846,025
Other financing sources (uses):									
Transfers	—	—	—	—	2,000,000	—	—	—	—
Total other financing sources (uses)	—	—	—	—	2,000,000	—	—	—	—
Net change in fund balance	5,865,427	498,663	2,052,589	2,183,328	(1,177,395)	(805,319)	(12,356,057)	920,347	2,846,025
Fund balance, beginning of year	72,003,549	6,112,211	55,758,751	5,869,941	10,680,552	34,341,374	179,001,446	8,834,285	9,954,367
Fund balance, end of year	\$ 77,868,976	6,610,874	57,811,340	8,053,269	9,503,157	33,536,055	166,645,389	9,754,632	12,800,392

See accompanying independent auditors' report.

Schedule 8

Gaming Revenue Distribution Fund	Judicial Public Safety Facilities Fund	DPS Gaming Fund	DPS Alcohol Tax Fund	Healthy Dine Tax Act	Fire & Rescue Services Fund	Debt Service		Permanent Chapter Government Nation Building Fund	Total
						FMIS Key Bank Loan Fund	NTUA Key Bank Loan Fund		
—	—	—	96,816	1,803,806	—	—	—	—	14,639,960
—	—	—	—	—	—	—	—	—	646,600
—	523,780	—	—	—	—	—	—	2,150,693	10,635,442
—	—	—	—	—	—	—	—	(153,749)	11,873,212
10,000,000	—	732,000	—	—	—	—	283,598	25	27,786,915
(1,200,000)	—	—	(11,618)	(216,457)	—	—	—	—	(2,700,764)
(600,000)	9,133,123	—	(5,808)	(108,228)	—	—	—	—	18,508,973
8,200,000	9,656,903	732,000	79,390	1,479,121	—	—	283,598	1,996,969	81,390,338
—	—	—	—	—	—	1,148,426	3,300	—	7,996,443
—	—	—	—	—	—	—	—	—	77,716
340,905	—	—	—	1,577,397	—	—	—	2,648,575	10,231,952
—	—	—	—	—	—	—	—	—	5,818,267
—	—	—	—	—	—	—	—	—	2,641,071
—	2,593,096	617,458	—	—	2,071	—	—	—	3,212,625
—	—	—	—	—	—	—	—	—	695,345
—	—	—	—	—	—	—	—	—	2,669,653
—	144,301	64,542	—	—	—	158,259	—	—	36,890,007
—	2,775,000	—	—	—	—	—	476,117	—	3,251,117
340,905	5,512,397	682,000	—	1,577,397	2,071	1,306,685	479,417	2,648,575	73,484,196
7,859,095	4,144,506	50,000	79,390	(98,276)	(2,071)	(1,306,685)	(195,819)	(651,606)	7,906,142
—	—	—	—	—	—	—	—	—	2,000,000
—	—	—	—	—	—	—	—	—	2,000,000
7,859,095	4,144,506	50,000	79,390	(98,276)	(2,071)	(1,306,685)	(195,819)	(651,606)	9,906,142
3,513,949	14,823,039	1,751,023	73,604	1,673,778	—	4,232,481	203,933	70,789,822	479,618,105
11,373,044	18,967,545	1,801,023	152,994	1,575,502	(2,071)	2,925,796	8,114	70,138,216	489,524,247

**THE NAVAJO NATION**

Combining Statement of Net Position

Enterprise Funds

Modified Accrual Budget Basis

September 30, 2018

	Business and Industrial Development Fund	Loan Fund	Employee Housing	Parks and Recreation	Fish and Wildlife	Navajo Nation Code Fund
<b>Assets and Deferred Outflow of Resources</b>						
Current assets:						
Cash and cash equivalents	\$ 22,998,593	1,700,179	770,762	47,593,076	1,887,327	139,703
Investments	4,058,666	10,472,701	—	—	—	—
Receivables:						
Accrued interest receivable, net	12,255	38,560	—	—	—	—
Accounts receivable	—	—	—	—	—	—
Current portion of notes receivable	51,943	1,055,726	—	—	—	—
Total receivables	64,198	1,094,286	—	—	—	—
Total current assets	27,121,457	13,267,166	770,762	47,593,076	1,887,327	139,703
Noncurrent assets:						
Receivables:						
Notes receivable, net	148,734	4,493,499	—	—	—	—
Total noncurrent receivables	148,734	4,493,499	—	—	—	—
Capital assets:						
Construction in progress	3,336,268	—	—	89,229	—	—
Land and land development costs	739,419	—	—	—	—	—
Buildings	17,972,163	—	2,521,076	6,962,186	76,765	—
Equipment	198,164	—	89,912	1,186,963	94,280	—
Total capital assets	22,246,014	—	2,610,988	8,238,378	171,045	—
Accumulated depreciation	6,709,593	—	2,610,988	1,560,304	87,953	—
Capital assets, net	15,536,421	—	—	6,678,074	83,092	—
Total noncurrent assets	15,685,155	4,493,499	—	6,678,074	83,092	—
Pension related outflows	5,994	12,652	32,825	145,745	53,266	—
Total deferred outflow of resources	5,994	12,652	32,825	145,745	53,266	—
Total assets and deferred outflows	\$ 42,812,606	17,773,317	803,587	54,416,895	2,023,685	139,703
<b>Liabilities, Deferred Inflow of Resources and Net Position</b>						
Current liabilities:						
Accounts payable	\$ 672,071	275,593	67,932	144,821	82,233	—
Current portion of compensated absences	5,413	5,143	31,669	115,800	19,842	—
Accrued liabilities	109,133	10,705	34,764	188,935	15,625	—
Total current liabilities	786,617	291,441	134,365	449,556	117,700	—
Noncurrent liabilities:						
Net pension liability	52,068	109,918	285,153	1,266,094	462,722	—
Total noncurrent liabilities	52,068	109,918	285,153	1,266,094	462,722	—
Total liabilities	838,685	401,359	419,518	1,715,650	580,422	—
Pension related inflows	18,996	40,101	104,029	461,897	168,810	—
Total deferred inflows of resources	18,996	40,101	104,029	461,897	168,810	—
Net position:						
Net investment in capital assets	15,536,421	—	—	6,678,074	83,092	—
Unrestricted	26,418,504	17,331,857	280,040	45,561,274	1,191,361	139,703
Total net position	41,954,925	17,331,857	280,040	52,239,348	1,274,453	139,703
Total liabilities, total deferred inflows and net position	\$ 42,812,606	17,773,317	803,587	54,416,895	2,023,685	139,703

See accompanying independent auditors' report.



## Schedule 9

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
229,087	751,685	34,612	1,175,705	1,516,803	85,007	579,058	79,461,597
—	—	—	—	—	—	—	14,531,367
—	—	—	—	—	—	—	50,815
—	—	—	—	14,138	—	—	14,138
—	—	—	—	—	—	—	1,107,669
—	—	—	—	14,138	—	—	1,172,622
229,087	751,685	34,612	1,175,705	1,530,941	85,007	579,058	95,165,586
—	—	—	—	—	—	—	4,642,233
—	—	—	—	—	—	—	4,642,233
—	—	—	—	—	—	—	3,425,497
—	—	—	—	—	—	—	739,419
—	—	—	—	—	—	—	27,532,190
113,484	81,910	—	—	274,604	—	—	2,039,317
113,484	81,910	—	—	274,604	—	—	33,736,423
113,484	43,553	—	—	242,364	—	—	11,368,239
—	38,357	—	—	32,240	—	—	22,368,184
—	38,357	—	—	32,240	—	—	27,010,417
—	—	—	19,163	25,566	6,429	597	302,237
—	—	—	19,163	25,566	6,429	597	302,237
229,087	790,042	34,612	1,194,868	1,588,747	91,436	579,655	122,478,240
—	1,376	1,668	94,210	8,037	12,655	57	1,360,653
—	—	—	2,910	42,415	5,529	3,320	232,041
4,551	7,486	28,101	132,336	66,360	14,147	8,138	620,281
4,551	8,862	29,769	229,456	116,812	32,331	11,515	2,212,975
—	—	—	166,469	222,090	55,849	5,187	2,625,550
—	—	—	166,469	222,090	55,849	5,187	2,625,550
4,551	8,862	29,769	395,925	338,902	88,180	16,702	4,838,525
—	—	—	60,731	81,023	20,375	1,892	957,854
—	—	—	60,731	81,023	20,375	1,892	957,854
—	38,357	—	—	32,240	—	—	22,368,184
224,536	742,823	4,843	738,212	1,136,582	(17,119)	561,061	94,313,677
224,536	781,180	4,843	738,212	1,168,822	(17,119)	561,061	116,681,861
229,087	790,042	34,612	1,194,868	1,588,747	91,436	579,655	122,478,240

**THE NAVAJO NATION**

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

Enterprise Funds

Modified Accrual Budget Basis

Year ended September 30, 2018

	<b>Business and Industrial Development Fund</b>	<b>Loan Fund</b>	<b>Employee Housing</b>	<b>Parks and Recreation</b>	<b>Fish and Wildlife</b>	<b>Navajo Nation Code Fund</b>
Operating revenues:						
Rental income	\$ 1,457,364	—	938,502	4,180	—	—
Interest income – notes receivable	11,058	383,406	—	—	—	—
Charges for services	887	17,242	—	17,876,072	967,490	12,437
Other income	352	21,223	1,537	41,670	951	—
Total operating revenues	1,469,661	421,871	940,039	17,921,922	968,441	12,437
Operating expenses:						
Personnel	114,212	38,543	571,927	2,446,034	975,876	—
Travel, per diem, and vehicle	—	25,248	39,543	357,424	331,969	—
Supplies	12,174	18,301	56,072	369,924	359,164	597
Contractual service	—	665	—	928,587	193,890	—
Lease, telephone, and utilities	20,874	4,909	45,031	282,556	22,013	—
Repairs and maintenance	62,007	13,244	200,924	199,942	17,788	—
Provision (recovery) for bad debts	—	(45,574)	—	—	—	—
Depreciation expense	408,508	—	21,187	113,298	—	—
Reinsurance premiums	439	2,377	3,306	17,343	5,551	—
Tribal grants	2,500,000	—	—	—	—	—
Other expense	—	39,024	13,437	44,881	80,048	—
Total operating expenses	3,118,214	96,737	951,427	4,759,989	1,986,299	597
Operating income (loss), net	(1,648,553)	325,134	(11,388)	13,161,933	(1,017,858)	11,840
Nonoperating revenues:						
Interest and dividends	63,152	141,340	—	—	—	—
Statutory allocations	4,566,562	—	—	—	—	—
Total nonoperating revenues	4,629,714	141,340	—	—	—	—
Nonoperating revenues, net	4,629,714	141,340	—	—	—	—
Excess (deficiency) of revenues over (under) expenses	2,981,161	466,474	(11,388)	13,161,933	(1,017,858)	11,840
Transfers	—	—	—	(332,205)	939,886	—
Change in net position	2,981,161	466,474	(11,388)	12,829,728	(77,972)	11,840
Net position, beginning of year	38,973,764	16,865,383	291,428	39,409,620	1,352,425	127,863
Net position, end of year	\$ 41,954,925	17,331,857	280,040	52,239,348	1,274,453	139,703

See accompanying independent auditors' report.

Navajo Transit Fund	Livestock Custody Fund	Fourth of July Celebration Fund	Annual Navajo Nation Fair Fund	Tribal Ranch Fund	Veterinary Medical Sales Fund	Coloradio Ranch Fund	Total
—	—	—	36,385	—	—	—	2,436,431
—	—	—	—	—	—	—	394,464
14,884	218,535	182,827	871,456	752,822	311,051	817,441	22,043,144
52	30	—	—	—	3,762	—	69,577
14,936	218,565	182,827	907,841	752,822	314,813	817,441	24,943,616
—	—	—	465,157	455,633	176,487	16,391	5,260,260
3,094	7,275	4,825	26,065	33,544	66,942	1,522	897,451
5,603	25,280	9,929	35,405	40,050	58,136	41,739	1,032,374
—	—	363,954	1,073,415	—	—	188,552	2,749,063
—	—	5,423	23,193	78,045	6,368	2,015	490,427
—	22,634	9,314	49,211	1,022	1,468	4,246	581,800
—	—	—	—	250,481	—	—	204,907
—	—	—	—	4,606	—	—	547,599
—	—	—	2,310	2,446	630	30	34,432
—	—	—	—	—	—	—	2,500,000
7,428	5,494	—	3,171	9,568	21,842	1,885	226,778
16,125	60,683	393,445	1,677,927	875,395	331,873	256,380	14,525,091
(1,189)	157,882	(210,618)	(770,086)	(122,573)	(17,060)	561,061	10,418,525
—	—	—	—	—	—	—	204,492
—	—	—	—	—	—	—	4,566,562
—	—	—	—	—	—	—	4,771,054
—	—	—	—	—	—	—	4,771,054
(1,189)	157,882	(210,618)	(770,086)	(122,573)	(17,060)	561,061	15,189,579
—	—	332,205	—	—	—	—	939,886
(1,189)	157,882	121,587	(770,086)	(122,573)	(17,060)	561,061	16,129,465
225,725	623,298	(116,744)	1,508,298	1,291,395	(59)	—	100,552,396
224,536	781,180	4,843	738,212	1,168,822	(17,119)	561,061	116,681,861



**THE NAVAJO NATION**  
Combining Statement of Cash Flows  
Enterprise Funds  
Modified Accrual Budget Basis  
Year ended September 30, 2018

	Business and Industrial Development Fund	Loan Fund	Employee Housing	Parks and Recreation	Fish and Wildlife	Navajo Nation Code Fund
Cash flows from operating activities						
Receipts from customers	\$ 1,559,830	1,211,156	938,502	17,880,252	967,490	12,437
Receipt of interest on loans	11,058	383,408	—	—	—	—
Payments to employees for services	(99,576)	(229,722)	(535,491)	(2,393,437)	(878,033)	—
Payments to suppliers	656,135	(61,164)	(52,225)	(346,358)	(378,159)	(597)
Payments to third parties for services	(6,133)	(97,348)	(274,922)	(1,737,452)	(567,130)	—
Tribal grant payments	(2,500,000)	—	—	—	—	—
Other receipts (payments)	352	(17,801)	(11,900)	(3,211)	(79,097)	—
Net cash from operating activities	(378,334)	1,188,527	63,964	13,399,794	(934,929)	11,840
Cash flows from capital and related financing activity						
Acquisition of capital assets	(3,336,268)	—	(2,010)	(152,065)	—	—
Net cash from capital and related financing activity	(3,336,268)	—	(2,010)	(152,065)	—	—
Cash flows from noncapital and related financing activities						
Transfer	—	—	—	(332,205)	939,886	—
Statutory allocations	4,566,562	—	—	—	—	—
Net cash from noncapital and related financing activities	4,566,562	—	—	(332,205)	939,886	—
Cash flows from investing activities						
Purchases of investments	(17,359,151)	(40,178,978)	—	—	—	—
Sales of investments	18,116,286	37,499,885	—	—	—	—
Interest on investment and cash balances	58,972	121,776	—	—	—	—
Net cash from investing activities	816,107	(2,557,317)	—	—	—	—
Net increase (decrease) in cash and cash equivalents	1,668,067	(1,368,790)	61,954	12,915,524	4,957	11,840
Cash and cash equivalents, beginning of year	21,330,526	3,068,969	708,808	34,677,552	1,882,370	127,863
Cash and cash equivalents, end of year	\$ 22,998,593	1,700,179	770,762	47,593,076	1,887,327	139,703
Reconciliation of operating income (loss) to net cash from operating activities						
Operating income (loss)	\$ (1,648,553)	325,134	(11,388)	13,161,933	(1,017,858)	11,840
Adjustments to reconcile operating income to net cash from operating activities						
Depreciation expense	408,508	—	21,187	113,298	—	—
Provision (recovery) for bad debts	—	(45,574)	—	—	—	—
Decrease in accounts receivable	—	—	—	—	—	—
Decrease in notes receivable	101,579	1,193,914	—	—	—	—
(Increase) decrease in deferred outflows	5,812	59,791	44,396	219,024	60,829	—
Increase (decrease) in accounts payable and accrued liabilities	745,496	(93,768)	17,729	71,966	(14,914)	—
Increase (decrease) in net pension liability	(941)	(215,347)	(61,564)	(371,686)	(49,555)	—
Increase (decrease) in compensated absences	(107)	(19,741)	9,251	25,249	5,930	—
Increase in deferred inflows	9,872	(15,882)	44,353	180,010	80,639	—
Total adjustments	1,270,219	863,393	75,352	237,861	82,929	—
Net cash from operating activities	\$ (378,334)	1,188,527	63,964	13,399,794	(934,929)	11,840

See accompanying independent auditors' report.

## Schedule 11

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
14,884	218,535	182,827	907,841	815,156	311,051	817,441	25,837,402
—	—	—	—	—	—	—	394,464
(5,603)	(25,855)	(10,175)	(329,989)	(390,289)	(101,163)	(6,589)	(4,964,289)
1,457	(29,909)	(380,019)	19,370	(39,994)	(45,540)	(41,682)	(331,847)
—	—	—	(1,204,166)	(116,605)	(61,261)	(188,227)	(4,661,715)
(7,376)	(5,464)	—	—	—	—	—	(2,500,000)
—	—	—	(3,171)	(9,568)	(18,080)	(1,885)	(157,201)
3,362	157,307	(207,367)	(610,115)	258,700	85,007	579,058	13,616,814
—	—	—	—	—	—	—	(3,490,343)
—	—	—	—	—	—	—	(3,490,343)
—	—	332,205	—	—	—	—	939,886
—	—	—	—	—	—	—	4,566,562
—	—	332,205	—	—	—	—	5,506,448
—	—	—	—	—	—	—	(57,538,129)
—	—	—	—	—	—	—	55,616,171
—	—	—	—	—	—	—	180,748
—	—	—	—	—	—	—	(1,741,210)
3,362	157,307	124,838	(610,115)	258,700	85,007	579,058	13,891,709
225,725	594,378	(90,226)	1,785,820	1,258,103	—	—	65,569,886
229,087	751,685	34,612	1,175,705	1,516,803	85,007	579,058	79,461,597
(1,189)	157,882	(210,618)	(770,086)	(122,573)	(17,060)	561,061	10,418,525
—	—	—	—	4,606	—	—	547,599
—	—	—	—	250,481	—	—	204,907
—	—	—	—	62,334	—	—	62,334
—	—	—	—	—	—	—	1,295,493
—	—	—	(4,878)	32,187	(6,429)	(597)	410,135
4,551	(575)	3,251	24,803	(1,492)	26,743	8,195	791,985
—	—	—	102,329	(37,216)	55,849	5,187	(572,944)
—	—	—	(11,975)	33,981	5,529	3,320	51,437
—	—	—	49,692	36,392	20,375	1,892	407,343
4,551	(575)	3,251	159,971	381,273	102,067	17,997	3,198,289
3,362	157,307	(207,367)	(610,115)	258,700	85,007	579,058	13,616,814

**THE NAVAJO NATION**  
Combining Statement of Net Position  
Internal Service Funds  
Modified Accrual Budget Basis  
September 30, 2018

<b>Assets and Deferred Outflow of Resources</b>	<b>Fleet Management</b>	<b>Duplicating Services</b>	<b>Office Supply Center</b>	<b>Air Transportation</b>	<b>Group Health Self-Insurance Fund</b>
Current assets:					
Cash and cash equivalents	\$ 28,658,626	3,205,824	612,204	(2,994,349)	8,994,060
Investments	—	—	—	—	—
Receivables:					
Accrued interest receivable, net	—	—	—	—	—
Accounts receivable	175,717	—	350,080	—	4,133,556
Total receivables	175,717	—	350,080	—	4,133,556
Total current assets	28,834,343	3,205,824	962,284	(2,994,349)	13,127,616
Noncurrent assets:					
Capital assets:					
Buildings	226,328	—	—	—	—
Vehicles	41,482,741	—	—	—	—
Equipment	912,012	492,252	3,351	4,297,505	—
Total capital assets	42,621,081	492,252	3,351	4,297,505	—
Accumulated depreciation	38,413,589	458,923	3,351	2,743,632	—
Capital assets, net	4,207,492	33,329	—	1,553,873	—
Total noncurrent assets	4,207,492	33,329	—	1,553,873	—
Pension-related outflows	193,110	12,132	10,252	23,209	24,994
Total deferred outflows of resources	193,110	12,132	10,252	23,209	24,994
Total assets and deferred outflows	\$ 33,234,945	3,251,285	972,536	(1,417,267)	13,152,610
<b>Liabilities, Deferred Inflow of Resources, and Net Position</b>					
Current liabilities:					
Accounts payable	\$ 331,817	15,641	—	—	205,042
Current portion of compensated absences	188,849	8,035	6,605	—	9,914
Current estimated claims payable	—	—	—	—	5,500,000
Accrued liabilities	361,004	28,380	91,230	—	204,395
Total current liabilities	881,670	52,056	97,835	—	5,919,351
Noncurrent liabilities:					
Estimated claims payable	—	—	—	—	—
Net pension liability	1,677,558	105,388	89,056	201,618	217,124
Total noncurrent liabilities	1,677,558	105,388	89,056	201,618	217,124
Total liabilities	2,559,228	157,444	186,891	201,618	6,136,475
Pension-related inflows	612,007	38,448	32,489	73,554	79,211
Total deferred inflows of resources	612,007	38,448	32,489	73,554	79,211
Net position:					
Net investment in capital assets	4,207,492	33,329	—	1,553,873	—
Restricted, expendable for claims and judgments	—	—	—	—	6,936,924
Unrestricted	25,856,218	3,022,064	753,156	(3,246,312)	—
Total net position	30,063,710	3,055,393	753,156	(1,692,439)	6,936,924
Total liabilities, deferred inflows and net position	\$ 33,234,945	3,251,285	972,536	(1,417,267)	13,152,610

See accompanying independent auditors' report.



Schedule 12

Property and Casualty Self-Insurance Fund	Workers' Compensation Insurance Fund	Contingency Management Fund	Total
41,233	38,993	5,272,562	43,829,153
31,669,429	16,856,892	1,499,914	50,026,235
132,684	63,165	6,827	202,676
12,621	138,011	—	4,809,985
145,305	201,176	6,827	5,012,661
31,855,967	17,097,061	6,779,303	98,868,049
—	—	—	226,328
—	—	—	41,482,741
236,101	86,462	—	6,027,683
236,101	86,462	—	47,736,752
166,236	68,517	—	41,854,248
69,865	17,945	—	5,882,504
69,865	17,945	—	5,882,504
45,907	20,746	—	330,350
45,907	20,746	—	330,350
31,971,739	17,135,752	6,779,303	105,080,903
52,967	13,950	3,499	622,916
51,168	8,764	—	273,335
1,622,225	303,614	—	7,425,839
55,807	9,852	—	750,668
1,782,167	336,180	3,499	9,072,758
—	—	370,400	370,400
398,799	180,220	—	2,869,763
398,799	180,220	370,400	3,240,163
2,180,966	516,400	373,899	12,312,921
145,490	65,748	—	1,046,947
145,490	65,748	—	1,046,947
69,865	17,945	—	5,882,504
29,575,418	16,535,659	—	53,048,001
—	—	6,405,404	32,790,530
29,645,283	16,553,604	6,405,404	91,721,035
31,971,739	17,135,752	6,779,303	105,080,903

**THE NAVAJO NATION**

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

Internal Service Funds

Modified Accrual Budget Basis

Year ended September 30, 2018

	<u>Fleet Management</u>	<u>Duplicating Services</u>	<u>Office Supply Center</u>	<u>Air Transportation</u>	<u>Group Health Self-Insurance Fund</u>
Operating revenues:					
Insurance premium income	\$ —	—	—	—	49,584,088
Charges for services	12,526,419	1,521,891	429,744	51,379	—
Other income	175,753	—	—	6,321	9,598,908
Total operating revenues	<u>12,702,172</u>	<u>1,521,891</u>	<u>429,744</u>	<u>57,700</u>	<u>59,182,996</u>
Operating expenditures:					
Personnel	3,195,740	186,755	198,000	331,482	393,250
Travel, per diem, and vehicle	194,657	8,725	11,152	39,926	59,430
Supplies	5,087,621	25,259	336,814	48,407	34,102
Contractual service	—	—	—	—	25,239
Lease, telephone, and utilities	22,541	281,457	3,072	1,584	6,049
Repairs and maintenance	235,340	91,999	241	115,843	6,899
Provision (recovery) for bad debts	—	—	—	—	105,194
Depreciation expense	2,015,545	15,907	—	95,333	—
Benefits and claims	—	—	—	—	31,041,345
Reinsurance premiums	20,826	1,244	1,067	2,267	4,069,880
Other expense	40,064	(10,561)	5,669	49,624	3,949,714
Total operating expenditures	<u>10,812,334</u>	<u>600,785</u>	<u>556,015</u>	<u>684,466</u>	<u>39,691,102</u>
Net operating income (loss)	<u>1,889,838</u>	<u>921,106</u>	<u>(126,271)</u>	<u>(626,766)</u>	<u>19,491,894</u>
Nonoperating revenues:					
Interest and dividends	—	—	—	—	4,975
Net increase in fair value of investments	—	—	—	—	—
Total nonoperating revenues	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>4,975</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,889,838</u>	<u>921,106</u>	<u>(126,271)</u>	<u>(626,766)</u>	<u>19,496,869</u>
Transfers	<u>—</u>	<u>—</u>	<u>—</u>	<u>524,065</u>	<u>1,200,000</u>
Change in net position	<u>1,889,838</u>	<u>921,106</u>	<u>(126,271)</u>	<u>(102,701)</u>	<u>20,696,869</u>
Net position, beginning of year	<u>28,173,872</u>	<u>2,134,287</u>	<u>879,427</u>	<u>(1,589,738)</u>	<u>(13,759,945)</u>
Net position, end of year	<u>\$ 30,063,710</u>	<u>3,055,393</u>	<u>753,156</u>	<u>(1,692,439)</u>	<u>6,936,924</u>

See accompanying independent auditors' report.

Schedule 13

Property and Casualty Self-Insurance Fund	Worker's Compensation Insurance Fund	Contingency Management Fund	Total
9,174,686	2,716,959	—	61,475,733
—	—	—	14,529,433
80,019	5,272	—	9,866,273
9,254,705	2,722,231	—	85,871,439
787,052	340,972	—	5,433,251
117,015	51,356	—	482,261
69,088	33,498	—	5,634,789
727,463	121,100	—	873,802
16,207	6,623	—	337,533
1,620	—	—	451,942
—	4,153	—	109,347
31,635	8,972	—	2,167,392
2,407,406	1,859,745	(1,192,724)	34,115,772
3,447,508	2,163	—	7,544,955
131,348	29,798	—	4,195,656
7,736,342	2,458,380	(1,192,724)	61,346,700
1,518,363	263,851	1,192,724	24,524,739
406,524	357,464	50,664	819,627
—	555,448	—	555,448
406,524	912,912	50,664	1,375,075
1,924,887	1,176,763	1,243,388	25,899,814
—	—	1,192,724	2,916,789
1,924,887	1,176,763	2,436,112	28,816,603
27,720,396	15,376,841	3,969,292	62,904,432
29,645,283	16,553,604	6,405,404	91,721,035



**THE NAVAJO NATION**  
Combining Statement of Cash Flows  
Internal Service Funds  
Modified Accrual Budget Basis  
Year ended September 30, 2018

	<u>Fleet Management</u>	<u>Duplicating Services</u>	<u>Office Supply Center</u>	<u>Air Transpiration</u>	<u>Group Health Self-Insurance Fund</u>
Cash flows from operating activities:					
Receipts from customers	\$ 12,350,700	1,521,891	361,402	57,700	—
Cash received for premiums from the government	—	—	—	—	29,461,740
Cash received from others for premiums	—	—	—	—	26,658,130
Payments to employees for services	(3,208,225)	(205,032)	(175,483)	(385,161)	(410,166)
Payment of claims	—	—	—	—	(39,041,345)
Payments to suppliers	(4,829,170)	(26,247)	(336,814)	(48,407)	(36,647)
Payments to third parties for services	(364,319)	(353,271)	64,305	(209,244)	(9,863,692)
Other receipts (payments)	175,753	—	—	—	—
Net cash from operating activities	<u>4,124,739</u>	<u>937,341</u>	<u>(86,590)</u>	<u>(585,112)</u>	<u>6,768,020</u>
Cash flows from capital and related financing activity:					
Acquisition of capital assets	(250,437)	(25,907)	—	—	—
Net cash from capital and related financing activity	<u>(250,437)</u>	<u>(25,907)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Cash flows from noncapital and related financing activity					
Transfer	—	—	—	524,065	1,200,000
Net cash from noncapital and related financing activity	<u>—</u>	<u>—</u>	<u>—</u>	<u>524,065</u>	<u>1,200,000</u>
Cash flows from investing activities:					
Purchases of investments	—	—	—	—	—
Sale of investments	—	—	—	—	—
Interest on investment and cash balances	—	—	—	—	4,975
Net cash from investing activities	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>4,975</u>
Net increase (decrease) in cash and cash equivalents	<u>3,874,302</u>	<u>911,434</u>	<u>(86,590)</u>	<u>(61,047)</u>	<u>7,972,995</u>
Cash and cash equivalents, beginning of year	<u>24,784,324</u>	<u>2,294,390</u>	<u>698,794</u>	<u>(2,933,302)</u>	<u>1,021,065</u>
Cash and cash equivalents, end of year	<u>\$ 28,658,626</u>	<u>3,205,824</u>	<u>612,204</u>	<u>(2,994,349)</u>	<u>8,994,060</u>
Reconciliation of operating income (loss) to net cash from operating activities:					
Operating income (loss)	\$ 1,889,838	921,106	(126,271)	(626,766)	19,491,894
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation expense	2,015,545	15,907	—	95,333	—
Provision for bad debts	—	—	—	—	105,194
Decrease (increase) in accounts receivable	(175,719)	—	(68,343)	—	(3,063,126)
Decrease in deferred outflows	300,813	22,184	9,318	48,492	43,712
Increase (decrease) in accounts payable	407,560	18,605	85,507	—	(1,749,026)
Increase (decrease) in compensated absences	(3,497)	(3,703)	(5,355)	—	4,617
Increase (decrease) in net pension liability	(540,112)	(48,687)	1,188	(120,315)	(91,361)
Increase in deferred inflows	230,311	11,929	17,366	18,144	26,116
(Decrease) in estimated claims payable	—	—	—	—	(8,000,000)
Total adjustments	<u>2,234,901</u>	<u>16,235</u>	<u>39,681</u>	<u>41,654</u>	<u>(12,723,874)</u>
Net cash from operating activities	<u>\$ 4,124,739</u>	<u>937,341</u>	<u>(86,590)</u>	<u>(585,112)</u>	<u>6,768,020</u>

See accompanying independent auditors' report.

Schedule 14

Property and Casualty Self-Insurance Fund	Workers' Compensation Insurance Fund	Contingency Management Fund	Totals
—	—	—	14,291,693
4,020,000	1,163,390	—	34,645,130
5,238,635	1,531,389	—	33,428,154
(755,463)	(347,573)	—	(5,487,103)
(3,185,608)	(1,859,745)	(2,277,036)	(46,363,734)
(84,216)	(40,879)	3,499	(5,398,881)
(4,418,191)	(182,764)	—	(15,327,176)
—	(24,527)	—	151,226
815,157	239,291	(2,273,537)	9,939,309
—	—	—	(276,344)
—	—	—	(276,344)
—	—	1,192,724	2,916,789
—	—	1,192,724	2,916,789
(57,197,549)	(19,783,061)	(14,739,077)	(91,719,687)
56,175,978	19,051,626	13,239,163	88,466,767
343,022	349,200	43,837	741,034
(678,549)	(382,235)	(1,456,077)	(2,511,886)
136,608	(142,944)	(2,536,890)	10,067,868
(95,375)	181,937	7,809,452	33,761,285
41,233	38,993	5,272,562	43,829,153
1,518,363	263,851	1,192,724	24,524,739
31,635	8,972	—	2,167,392
—	4,153	—	109,347
3,930	(22,180)	—	(3,325,438)
65,097	32,866	—	522,482
7,842	(8,903)	3,499	(1,234,916)
6,383	(3,290)	—	(4,845)
(99,599)	(60,495)	—	(959,381)
59,708	24,317	—	387,891
(778,202)	—	(3,469,760)	(12,247,962)
(703,206)	(24,560)	(3,466,261)	(14,585,430)
815,157	239,291	(2,273,537)	9,939,309

**THE NAVAJO NATION**

Combining Statement of Fiduciary Net Position

Fiduciary Funds

Modified Accrual Budget Basis

September 30, 2018

	Pension Trust Funds				Handicapped Services	Senior Citizen Services
	Retirement Fund	Deferred Retirement Fund	Nihibeeso 401 (k) Fund	Total Pension Trust Funds		
<b>Assets and Deferred Outflows of Resources</b>						
Cash and cash equivalents						
Managed by						
The Navajo Nation	\$ 10,242	25,169	(4,213)	31,198	201,715	894,688
Managers selected by the Navajo Nation	22,144,191	39,541	4	22,183,736	84,643	67,866
Bureau of Indian Affairs, as trustee for the Navajo Nation	—	—	—	—	—	—
Total cash and cash equivalents	22,154,433	64,710	(4,209)	22,214,934	286,358	962,554
Investments						
Managed by						
The Navajo Nation	—	—	—	—	—	—
Managers selected by the Navajo Nation	899,092,055	3,126,549	105,864,253	1,008,082,857	13,171,101	10,158,347
Total investments	899,092,055	3,126,549	105,864,253	1,008,082,857	13,171,101	10,158,347
Receivables						
Notes receivable	—	—	—	—	1,209,212	1,037,880
Participant loans receivable	—	—	8,656,671	8,656,671	—	—
Accrued interest receivable	1,589,583	36	—	1,589,619	47,325	40,018
Total receivables	1,589,583	36	8,656,671	10,246,290	1,256,537	1,077,898
Pension-related outflows	—	—	—	—	8	—
Total deferred outflows of resources	—	—	—	—	8	—
Total assets and deferred outflows of resources	922,836,071	3,191,295	114,516,715	1,040,544,081	14,714,004	12,198,799
<b>Liabilities, Deferred Inflow of Resources, and Net Position</b>						
Accounts payable	254,960	—	—	254,960	17,690	96,555
Accrued liabilities	19,694	—	—	19,694	7,625	—
Net pension liability	—	—	—	—	63	—
Total liabilities	274,654	—	—	274,654	25,378	96,555
Pension-related inflows	—	—	—	—	24	—
Total deferred inflows of resources	—	—	—	—	24	—
Net position held in trust for pension benefits and other purposes	\$ 922,561,417	3,191,295	114,516,715	1,040,269,427	14,688,602	12,102,244

See accompanying independent auditors' report



Private-Purpose Trust Funds								
Vocational Education	Navajo Academy Fund	Navajo Trust Fund	Sales Tax Trust Fund	Local Governance Fund	Veterans Trust Fund	Navajo Bennett Freeze Trust Fund	Total Private- Purpose Trust Funds	Total Fiduciary Funds
551,146	102,186	725,148	(291,421)	117,935	25,307,093	313,817	27,922,307	27,953,505
65,826	—	—	—	—	1,496,725	—	1,715,060	23,898,796
—	—	—	—	—	—	—	—	—
616,972	102,186	725,148	(291,421)	117,935	26,803,818	313,817	29,637,367	51,852,301
—	325,403	—	9,772,052	13,416,327	—	4,861,505	28,375,287	28,375,287
10,924,780	—	—	—	—	139,015,406	—	173,269,634	1,181,352,491
10,924,780	325,403	—	9,772,052	13,416,327	139,015,406	4,861,505	201,644,921	1,209,727,778
1,208,148	—	—	—	—	5,157,674	—	8,612,914	8,612,914
—	—	—	—	—	—	—	—	8,656,671
41,479	1,351	—	40,430	37,117	476,557	8,480	692,757	2,282,376
1,249,627	1,351	—	40,430	37,117	5,634,231	8,480	9,305,671	19,551,961
—	—	—	—	—	—	—	8	8
—	—	—	—	—	—	—	8	8
12,791,379	428,940	725,148	9,521,061	13,571,379	171,453,455	5,183,802	240,587,967	1,281,132,048
10,413	—	—	—	—	290,031	150,000	564,689	819,649
—	—	—	187,729	—	159,963	27,036	382,353	402,047
—	—	—	—	—	—	—	63	63
10,413	—	—	187,729	—	449,994	177,036	947,105	1,221,759
—	—	—	—	—	—	—	24	24
—	—	—	—	—	—	—	24	24
12,780,966	428,940	725,148	9,333,332	13,571,379	171,003,461	5,006,766	239,640,838	1,279,910,265

**THE NAVAJO NATION**  
Combining Statement of Changes in Fiduciary Net Position  
Fiduciary Funds  
Modified Accrual Budget Basis  
September 30, 2018

	<b>Pension Trust Funds</b>					
	<b>Retirement Fund</b>	<b>Deferred Retirement Fund</b>	<b>Nihibeeso 401 (k) Fund</b>	<b>Total Pension Trust Funds</b>	<b>Handicapped Services</b>	<b>Senior Citizen Services</b>
Additions:						
Interest and dividends	\$ 23,016,309	228,717	1,554,314	24,799,340	368,950	312,831
Net increase in fair value of investments	60,593,162	(81,968)	6,104,429	66,615,623	695,352	521,255
Contributions to plans	38,502,080	646,274	9,006,960	48,155,314	—	—
Tax revenue	—	—	—	—	—	—
Other revenue	267,953	—	—	267,953	15	6
Statutory allocation to permanent fund	—	—	—	—	—	—
Statutory allocation of current year revenues	—	—	—	—	—	—
Total additions	122,379,504	793,023	16,665,703	139,838,230	1,064,317	834,092
Deductions:						
Personnel	497,354	—	—	497,354	—	—
Travel	56,820	—	—	56,820	6,442	—
Supplies	13,333	—	—	13,333	—	—
Chapter disbursements	—	—	—	—	—	—
Tribal grants	—	—	—	—	44,585	—
Utilities	126,030	—	—	126,030	723	—
Retirement benefits	40,688,946	477,754	10,335,494	51,502,194	—	—
Contractual services	3,927,586	—	280,140	4,207,726	25,752	292,416
Scholarship payments	—	—	—	—	—	—
Other	82,053	—	60,973	143,026	10,684	—
Total deductions	45,392,122	477,754	10,676,607	56,546,483	88,186	292,416
Change in net position	76,987,382	315,269	5,989,096	83,291,747	976,131	541,676
Net position, beginning of year	845,574,035	2,876,026	108,527,619	956,977,680	13,712,471	11,560,568
Net position, end of year	\$ 922,561,417	3,191,295	114,516,715	1,040,269,427	14,688,602	12,102,244

See accompanying independent auditors' report.

Private-Purpose Trust Funds								
Vocational Education	Navajo Academy Fund	Navajo Trust Fund	Sales Tax Trust Fund	Local Governance Fund	Veterans Trust Fund	Navajo Bennett Freeze Trust Fund	Total Private-Purpose Trust Funds	Total Fiduciary Funds
334,596	4,741	817,541	147,359	198,422	3,151,857	53,620	5,389,917	30,189,257
535,809	—	—	—	—	9,621,100	—	11,373,516	77,989,139
—	—	—	—	—	—	—	—	48,155,314
—	—	—	10,618,981	—	—	—	10,618,981	10,618,981
10	—	—	—	—	87,697	—	87,728	355,681
—	—	—	(1,274,277)	—	—	—	(1,274,277)	(1,274,277)
—	—	—	(4,120,165)	—	12,150,401	—	8,030,236	8,030,236
870,415	4,741	817,541	5,371,898	198,422	25,011,055	53,620	34,226,101	174,064,331
—	—	—	—	—	(335,963)	—	(335,963)	161,391
—	—	—	—	—	286,122	—	292,564	349,384
—	—	—	—	—	17,659	250	17,909	31,242
—	—	—	5,324,696	—	—	(288,545)	5,036,151	5,036,151
—	—	—	—	—	4,048,404	202,292	4,295,281	4,295,281
—	—	—	—	—	2,705	—	3,428	129,458
—	—	—	—	—	—	—	—	51,502,194
22,849	—	—	—	—	297,005	—	638,022	4,845,748
321,788	—	—	—	—	—	—	321,788	321,788
—	—	—	—	—	137,344	75,879	223,907	366,933
344,637	—	—	5,324,696	—	4,453,276	(10,124)	10,493,087	67,039,570
525,778	4,741	817,541	47,202	198,422	20,557,779	63,744	23,733,014	107,024,761
12,255,188	424,199	(92,393)	9,286,130	13,372,957	150,445,682	4,943,022	215,907,824	1,172,885,504
12,780,966	428,940	725,148	9,333,332	13,571,379	171,003,461	5,006,766	239,640,838	1,279,910,265



## NAVAJO NATION

NNC Special Session

8/15/2019

01:37:47 PM

Amd# to Amd#	Legislation 0191-19: Accepting	PASSED
MOT Smith	the Audit Report of KPMG LLP on	
SEC Yellowhair	the Basic Financial Statement of	
	the Navajo Nation for FY'2018	

Yea : 12

Nay : 0

Excused : 2

Not Voting : 8

## Yea : 12

Begay, E	Freeland, M	Smith	Tso, E
Begay, K	Halona, P	Tso	Walker, T
Charles-Newton	Nez, R	Tso, C	Yellowhair

## Nay : 0

## Excused : 2

Crotty	Tso, D
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## Not Voting : 8

Begay, P	Daniels	James, V	Wauneka, E
Brown	Henio, J	Stewart, W	Yazzie

Presiding Speaker: Damon