Office of the Controller

The Navajo Nation

Financial Statement Policies Manual

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THE NAVAJO NATION – Office of the Controller

Accounting Policies Manual

DESCRIPTION:	Financial Statements -	INDEX:	
	Overview	POLICY:	X
		PROCEDURE:	
		EFFECTIVE DATE:	

LEGAL AUTHORIZATION: 12 N.N.C. § 201, *et seq.*

PURPOSE:

To establish policies and procedures for the financial statement preparation process of the Navajo Nation (Nation). The purpose of the Financial Statement Policy and Procedures Manual is to assist the Nation in fulfilling its responsibilities of the proper presentation of all relevant financial information in accordance with U.S. Generally Accepting Accounting Principles (GAAP), Governmental Accounting Standards Board statements, and GAAP as modified by Nation Council resolutions.

RESPONSIBILITY:

General Accounting Section

- Monitoring and preparation of the Nation's financial statements, footnotes, and required supplementary information in accordance with GAAP.

POLICY:

This section sets forth the purpose, roles, and responsibilities of the Nation's financial reporting process. Financial reporting is the means of communicating financial information. For financial reports to be effective, the stated information must be understandable, reliable, relevant, timely, consistent and comparable. The Nation will meet all internal and external reporting requirements in a timely manner. The financial reporting process consists of the following sections:

- Close out entries
- Trial balance preparation
- Financial statement model
- Statements of cash flows
- Footnote disclosures
- Entity conversion schedules
- Other financial statement information
- Tie-outs
- Management's discussion and analysis

DESCRIPTION:	Financial Statements –	INDEX:	
	Asset Impairment Analysis	POLICY:	X
		PROCEDURE:	
		EFFECTIVE DATE:	

LEGAL AUTHORIZATION: 12 N.N.C. § 201, *et seq.*

PURPOSE:

To establish policies and procedures for the monitoring of the impairment of Nation assets.

RESPONSIBILITY:

General Accounting Section

- Monitor assets for possible impairment.

Investment Section

- Monitor assets for possible impairment.

POLICY:

Asset impairment arises when there is a drop in the fair value of an asset below its recorded cost or when the service utility of a capital asset has declined significantly and unexpectedly. The amount of the impairment is the difference between the cost and the fair value of the asset. This concept is important as the impaired amount must be written off or allowed for. Impairment only occurs when the amount is not recoverable. This happens when the carrying amount exceeds fair value (e.g. the sum of the undiscounted cash flows expected to result from the asset over its remaining useful life or term of the asset).

The Nation must test for the recoverability of an asset whenever the circumstances indicate that its carrying amount may not be recoverable. We evaluate prominent events or changes in circumstances affecting assets to determine whether impairment of assets has occurred. Under no circumstances are we allowed to reverse an impairment loss under GAAP.

Examples of such circumstances or events include:

Situations	Description
Cash flow	There are historical and projected operating, or cash flow losses associated with the asset (e.g., direct investments).
Costs/ Construction Stoppage	Project halted prior to completion due to insufficient funds to complete (e.g., construction in progress).
Disposal/ Damage	The asset is more than 50% likely to be sold or otherwise disposed of significantly before the end of its previously estimated useful life (e.g., equipment damage).
Legal	There is a significant adverse change in legal factors or the business climate that could affect the asset's value.
Technology or Usage	There is a significant adverse change in the asset's manner of use, or its physical condition.