

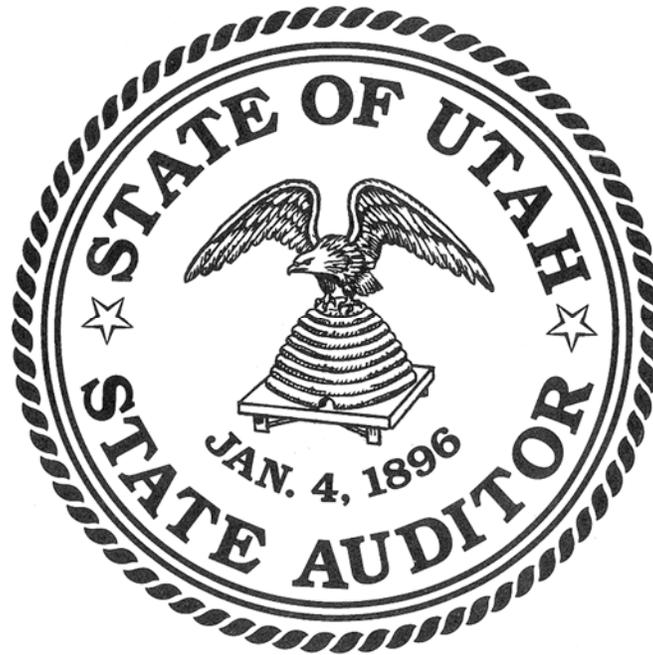
# UTAH NAVAJO TRUST FUND

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Annual Financial Report  
For the Year Ended June 30, 2018

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Report No. 18-47



OFFICE OF THE  
STATE AUDITOR

# **UTAH NAVAJO TRUST FUND**

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Annual Financial Report  
For the Year Ended June 30, 2018

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Report No. 18-47

**AUDIT LEADERSHIP:**

John Dougall, State Auditor  
Ryan Roberts, CPA, Audit Supervisor  
Chantel Wixon, Audit Senior

# **UTAH NAVAJO TRUST FUND**

ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2018

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OFFICE OF THE  
**STATE AUDITOR**

**INDEPENDENT STATE AUDITOR'S REPORT**

To the Board of Trustees  
and  
Tony Dayish, Trust Administrator  
Utah Navajo Trust Fund

**Report on the Financial Statements**

We have audited the accompanying financial statements of the Utah Navajo Trust Fund (UNTF), a private-purpose trust fund of the State of Utah, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the UNTF's financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

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

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the UNTF as of June 30, 2018, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 1, the financial statements present only the Utah Navajo Trust Fund and do not purport to, and do not, present fairly the financial position of the State of Utah as of June 30, 2018, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, as listed in the Table of Contents, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 23, 2019 on our consideration of the UNTF'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 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 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 UNTF's internal control over financial reporting and compliance.

*Office of the State Auditor*

Office of the State Auditor  
May 23, 2019

# **UTAH NAVAJO TRUST FUND**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018**

### **Introduction**

The following is a discussion and analysis of the Utah Navajo Trust Fund's (UNTF) financial performance and position for the fiscal year ending June 30, 2018. It is intended to be an introduction to the fund's financial statements.

### **Highlights**

The net position of the Trust Fund increased \$3,249,603 or 4.5%. Investments increased by \$3.68 million or 5.8% due to oil royalty deposits, interest income and a lump sum reimbursement from the Navajo Revitalization Fund (NRF) for previous years' expenditures. During fiscal year 2018 the NRF reconciled expired contracts that the UNTF had funded from years 2013 and prior but had not been reimbursed by the NRF. As a result, the UNTF was repaid a lump sum of \$2.3 million. There was also an increase of 76.8% in chapter project funding largely in part for a new multi-purpose facility that was constructed in the Mexican Water Chapter. The majority of this project was funded by the UNTF and the NRF.

### **Overview of Financial Statements**

This report includes the Financial Statements for the UNTF. The Financial Statements include the Statement of Fiduciary Net Position, the Statement of Changes in Fiduciary Net Position and Notes to the Financial Statements.

#### **Financial Statements**

The Statement of Fiduciary Net Position shows the UNTF's assets and liabilities as of the end of the fiscal year, with the difference reported as net position. The Statement of Changes in Fiduciary Net Position shows the additions (revenues) and deductions (expenses) for the UNTF as of the end of the fiscal year. These statements are meant to give a broad overview of the financial position of the UNTF as well as to show the fund's ability to meet its obligations. The statements are prepared using the full-accrual basis of accounting, with the exception of oil royalty revenue, which is on a cash basis because royalty receivables are not reasonably estimable at year end. All revenue and expenses are recognized when the underlying transactions occur regardless of when cash is received or spent, except for the oil royalty revenue, which is recognized on a cash basis when received.

#### **Notes to Financial Statements**

The Notes to Financial Statements contain information and schedules that are essential to a complete understanding of the financial statements.

# **UTAH NAVAJO TRUST FUND**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018**

### **Financial Analysis**

#### **Net Position**

The condensed statements on the following page summarize the changes in the UNTF's financial statements between fiscal years 2018 and 2017. The amounts for 2017 reflect the addition of the blended component unit. As shown on the Condensed Statement of Net Position, the UNTF's net position increased \$3,249,603 or 4.5%. The largest asset of the UNTF is the investments. Investments account for 89% of the total net position and are held in the Public Treasurers' Investment Fund (PTIF) and bond and equity mutual funds.

#### **Assets (Liabilities)**

The amount due from other state agencies increased by 29.8% because of reimbursements owed from the NRF. The decrease in liabilities for 2018 is the result of a large project payment which related to fiscal year 2017.

#### **Additions (Revenues)**

This year the UNTF received 28% of its revenue from the NRF reimbursements, 50% from oil royalties, 12% from investment income and 9% from rental income. Oil royalties for fiscal year 2018 increased by .9% as a result of oil prices and production.

#### **Deductions (Expenses)**

The UNTF expended \$1,360,360 in materials and labor for chapter projects for fiscal year 2018 which is an increase of 76.8% compared to fiscal year 2017. This increase is a result of the Chapters better utilizing their UNTF allotments and the completion of the Mexican Water Chapter Multipurpose building.

The UNTF awarded \$483,618 for educational assistance during the fiscal year, which is a decrease of 7.8% over the prior year. The decrease in scholarship amounts is a direct result of student enrollment and scholarship applications. The UNTF offers a maximum of \$2,900 per student per semester for qualified beneficiary students.

Several capital repairs contributed to the 10.7% increase in operating expenses for fiscal year 2018. General operating expenses include technical construction oversight, scholarship administration, financial and accounting services, as well as building and other asset maintenance.

## UTAH NAVAJO TRUST FUND

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

<b>Condensed Statement of Fiduciary Net Position</b>				
	<b>2018</b>	<b>2017*</b>	<b>Change</b>	<b>Percentage</b>
<b>Assets</b>				
Cash	\$ 1,049,383	\$ 1,621,100	\$ (571,717)	-35.3%
Investments	67,313,119	63,631,904	3,681,215	5.8%
Loans Receivable	36,000	36,000	-	0.0%
Other Assets-Blue Mtn Diné Apts	-	-	-	0.0%
Due from other State Agencies	809,793	623,932	185,861	29.8%
Capital Assets, Net	7,048,094	7,431,008	(382,914)	-5.2%
<b>Total Assets</b>	<b>76,256,389</b>	<b>73,343,944</b>	<b>2,912,445</b>	<b>4.0%</b>
<b>Total Liabilities</b>	<b>689,608</b>	<b>1,026,766</b>	<b>(337,158)</b>	<b>-32.8%</b>
<b>Total Net Position</b>	<b>\$ 75,566,781</b>	<b>\$ 72,317,178</b>	<b>\$ 3,249,603</b>	<b>4.5%</b>

<b>Condensed Statement of Changes in Fiduciary Net Position</b>				
	<b>2018</b>	<b>2017*</b>	<b>Change</b>	<b>Percentage</b>
<b>Additions (Revenues)</b>				
Investment Income	\$ 681,350	\$ 761,228	(79,878)	-10.5%
Oil Royalties	2,870,418	2,843,969	\$ 26,449	0.9%
NRF Reimbursements	1,595,300	1,015,918	579,382	57.0%
Rental Income	509,991	534,874	(24,883)	-4.7%
Sale of Land / Other Income	27,993	157,433	(129,440)	-82.2%
<b>Total Additions (Revenues)</b>	<b>5,685,052</b>	<b>5,313,422</b>	<b>371,630</b>	<b>7.0%</b>
<b>Deductions (Expenses)</b>				
Chapter Projects	1,360,360	769,290	591,070	76.8%
Educational Assistance	483,618	524,691	(41,073)	-7.8%
NRF Projects	1,594,885	890,010	704,875	79.2%
Depreciation	382,253	395,280	(13,027)	-3.3%
Operating, Maintenance & Other Expense	43,817	39,591	4,226	10.7%
Mortgage Interest	4,017	15,193	(11,176)	-73.6%
Administrative & General Expense	1,145,009	995,990	149,019	15.0%
<b>Total Deductions (Expenses)</b>	<b>5,013,959</b>	<b>3,630,045</b>	<b>1,383,914</b>	<b>38.1%</b>
<b>Change in Net Position</b>	<b>671,093</b>	<b>\$ 1,683,377</b>		
<b>Beginning Net Position</b>	<b>72,317,178</b>	<b>70,633,801</b>		
Adjustment to Beginning Net Position	2,578,510			
<b>Ending Net Position</b>	<b>\$ 75,566,781</b>	<b>\$ 72,317,178</b>		

\* Reflects the addition of the blended component unit (See Note 11)

## **UTAH NAVAJO TRUST FUND**

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

#### **Financial Outlook**

Oil prices and production significantly affect the UNTF's financial future and both are difficult to predict. Production from the Aneth Extension Oil Field has remained relatively stable. Interest rates on the PTIF investments increased in 2018; however, the bond market has weakened. Rental income remained objectively stable.

#### **Contacting UNTF Management**

This financial report is designed to provide all interested parties with a general overview of the UNTF's finances and to demonstrate its financial accountability over its resources. If you have questions regarding this report or need further information regarding the UNTF, please contact Tony Dayish, Trust Administrator, at 151 East 500 North, Blanding, Utah 84511, or by email at [tdayish@utah.gov](mailto:tdayish@utah.gov).

# Utah Navajo Trust Fund

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## Statement of Fiduciary Net Position

June 30, 2018

### Assets

Cash (Notes 1 and 3)	\$ 1,049,383
Investments: (Notes 1 and 3)	
Public Treasurers' Investment Fund	45,340,906
Bond Mutual Fund	20,951,239
Equity Mutual Fund	1,020,974
Loans Receivables (Blue Mtn Diné Apts) (Note 6)	36,000
Due from Other State Agencies (Note 1)	809,793
Capital Assets: (Notes 1 and 4)	
Land	320,165
Buildings and Improvements	12,343,937
Less Accumulated Depreciation	(5,672,369)
Equipment	84,556
Less Accumulated Depreciation	(73,709)
Vehicles	224,950
Less Accumulated Depreciation	(185,898)
Software	11,058
Less Accumulated Depreciation	(4,596)
Total Capital Assets	<u>7,048,094</u>
<b>Total Assets</b>	<b><u>76,256,389</u></b>

### Liabilities

Accounts Payable	127,963
Accrued Payroll	31,423
Due to Other State Agencies (Note 1)	140,698
Long-Term Liabilities (Note 7)	<u>389,524</u>
<b>Total Liabilities</b>	<b><u>689,608</u></b>

### Net Position

<b>Restricted for Trust Beneficiaries</b>	<b><u><u>\$ 75,566,781</u></u></b>
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*The accompanying notes are an integral part of these financial statements.*

# Utah Navajo Trust Fund

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## Statement of Changes in Fiduciary Net Position

For Fiscal Year Ended June 30, 2018

### Additions

Investment Income (Notes 1 and 3)	\$ 681,350
Oil Royalties	2,870,418
Navajo Revitalization Fund Reimbursements	1,595,300
Rental Income (Note 5)	509,991
Sale of Land	25,925
Other Income	2,068
<b>Total Additions</b>	<b><u>5,685,052</u></b>

### Deductions

Chapter Projects	1,360,360
Educational Assistance	483,618
Navajo Revitalization Fund Projects	1,594,885
Depreciation	382,253
Operating, Maintenance, and Other Expenses	43,817
Mortgage Interest	4,017
Administrative and General Expenses	1,145,009
<b>Total Deductions</b>	<b><u>5,013,959</u></b>

**Change in Net Position** **671,093**

**Net Position – Beginning** 72,317,178

**Prior Period Adjustment (Note 2)** 2,578,510

**Net Position – Ending** **\$ 75,566,781**

*The accompanying notes are an integral part of these financial statements.*

## UTAH NAVAJO TRUST FUND

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

#### **1. Organization and Summary of Significant Accounting Policies**

**Organization** – The Utah Navajo Trust Fund (UNTF) is a private purpose trust fund of the State of Utah and is included in the State’s *Comprehensive Annual Financial Report*. The UNTF was established under new legislation, Senate Bill 90, to supersede the Utah Navajo Royalties Holding Fund (UNRHF) beginning July 1, 2015. The Trust Fund was originally created under *Utah Code*, Title 51, Chapter 9, Section 504 to account for various revenues received by the State, the majority of which represents the 37 ½ percent of the net oil royalties from the Aneth Extension of the Navajo Indian Reservation. The net oil royalties are paid to the State in accordance with Federal Public Law No. 403, 47 Stat. 1418, as amended by the Act of 1968, 82 Stat. 121, for the health, education, and general welfare of the Utah Navajos residing in San Juan County, Utah. The original Navajo Trust Fund was repealed during the 2008 General Session of the Utah Legislature and replaced with the UNRHF. The responsibility to fulfill the liabilities and obligations of the repealed Navajo Trust Fund was moved to the Department of Administrative Services (a State of Utah department). During the 2015 Legislative Session, Senate Bill 90 was introduced and passed enabling the replacement of the UNRHF with the UNTF, operating as it had prior to 2008, effective July 1, 2015.

**Fund Accounting** – The general activities of the UNTF have been organized and reported as a private purpose trust fund in the financial statements. A private purpose trust fund is a separate accounting entity with a self-balancing set of accounts and is designed to demonstrate legal compliance with the trust requirements and is used to account for assets where both the principal and interest may be spent.

**Basis of Accounting** – The accounting and reporting policies of the UNTF conform with accounting principles generally accepted in the United States of America and follow the accrual basis of accounting with the exception of oil royalties revenue. Oil royalties revenue is accounted for on a cash basis because royalty receivables are not reasonably estimable at fiscal year end due to the nature of the transactions and the extended period of time over which the royalties are collected. Under the accrual basis of accounting, additions to the net position and related assets are recognized when earned. Deductions from the net position are recognized when the fund liabilities are incurred. All assets and liabilities of the UNTF are included on the Statement of Fiduciary Net Position.

**Cash and Investments** – The UNTF’s cash is maintained as bank deposits and as a portion of the State’s pooled cash account controlled by the Utah State Treasurer’s Office. Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application* and include investments in the Utah Public Treasurers’ Investment Fund and bond and equity mutual funds. The change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

**Capital Assets** – Land, buildings and improvements, and equipment are reported as capital assets, with related accumulated depreciation as applicable, in the Statement of Fiduciary Net Position. Capital assets are defined by State of Utah policy as assets that cost \$5,000 or more when acquired

## UTAH NAVAJO TRUST FUND

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

and have an estimated useful life greater than one year. Purchased or constructed capital assets are recorded at cost or at estimated historical cost where historical cost is not available. Donated or otherwise acquired capital assets are valued at their estimated fair value at the date of acquisition. Buildings, equipment, and other depreciable capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Years</u>
Equipment	3-15
Buildings and Improvements	10-40

The UNTF also owns a ½ undivided interest in a special collection of indigenous artifacts known as the Shumway Collection. Due to the nature of this asset, the value cannot be assessed; therefore, no value is included in the Statement of Fiduciary Net Position.

**Due from/to Other State Agencies** – Due from/to other State agencies represents amounts receivable from or payable to other State agencies. These amounts consist mainly of amounts receivable from the Navajo Revitalization Fund (NRF) (a State of Utah agency) and amounts payable to the State Department of Administrative Services and the State Department of Technology Services for printing, telecommunications, motor pool services, and for various construction projects.

**Navajo Revitalization Fund Projects and Reimbursements** – The UNTF frequently processes transactions for the NRF related to various construction projects benefiting the Utah Navajos in San Juan County. The UNTF processes these transactions and then receives reimbursement from the NRF. During fiscal year 2018 the NRF reconciled expired contracts from 2013 and prior. The majority of the projects had been processed, completed, and paid for by the UNTF but the UNTF had not received reimbursement from the NRF. As a result, the UNTF received a lump sum reimbursement of approximately \$2.3 million in fiscal year 2018, with the remaining amount received in fiscal year 2019. This reimbursement was included as an adjustment to the UNTF’s beginning net position on the statement of changes in Fiduciary Net Position. The UNTF also provides other administrative services related to NRF Projects such as reviewing budgets and project proposals, providing construction labor, making site visits, attending NRF related meetings, and enforcing State of Utah procurement policies.

**Pensions** – The UNTF is paying the salaries and benefits, including contributions to the State’s pension systems (Systems), on behalf of eligible State of Utah employees responsible for managing the UNTF. As a result, the UNTF may be liable for an apportioned amount of the Systems’ net pension liability related to these eligible employees. Management estimates the UNTF’s portion of the State’s June 30, 2018 unfunded pension liability to be less than \$250,000 and considers the estimated pension liability and other related activity immaterial to the UNTF. As a result, pension-related activity has not been reflected in these financial statements other than to record pension contributions as administrative and general expenses.

## UTAH NAVAJO TRUST FUND

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

## 2. Prior Period Adjustment

A prior period adjustment of approximately \$2.58 million was made to the financial statements to properly account for reimbursements due from the NRF for prior years' projects. These projects were processed by the UNTF with the intent of being reimbursed by the NRF (See Note 1). A lump sum payment of approximately \$2.32 million was received from the NRF in fiscal year 2018, with the remaining amount received in fiscal year 2019.

## 3. Cash and Investments

### Deposits

#### *Custodial Credit Risk*

Custodial credit risk is the risk that, in the event of a bank failure, the UNTF's deposit may not be returned to it. The UNTF does not have formal deposit policy for custodial credit risk. As of June 30, 2018, the UNTF's bank balance of \$928,507 was uninsured and uncollateralized.

### Investments

The Utah State Treasurer's Office is responsible for the investments of the UNTF and shall invest and manage the UNTF assets as a prudent investor would as outlined in *Utah Code* Section 51-10-201(4). Currently all of the UNTF's money is being held in bank deposits, the Public Treasurers' Investment Fund (PTIF), and bond and equity mutual funds.

The Utah State Treasurer's Office operates the PTIF. The PTIF is available for investment of funds administered by any Utah public treasurer and is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Utah Money Management Act (*Utah Code*, Title 51, Chapter 7). The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

#### *Fair Value of Investments*

The UNTF measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1*: Quoted prices for identical investments in active markets;
- *Level 2*: Observable inputs other than quoted market prices; and,
- *Level 3*: Unobservable inputs.

## UTAH NAVAJO TRUST FUND

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

At June 30, 2018, the UNTF had the following recurring fair value measurements.

Investment Type	Fair Value	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Debt Securities:				
Bond Mutual Fund	\$ 20,951,239	\$ 20,951,239	\$ -	\$ -
<b>Total Debt Securities</b>	<u>20,951,239</u>	<u>20,951,239</u>	<u>-</u>	<u>-</u>
Equity Securities:				
Equity Mutual Fund	1,020,974	1,020,974	-	-
<b>Total Equity Securities</b>	<u>1,020,974</u>	<u>1,020,974</u>	<u>-</u>	<u>-</u>
State of Utah Public Treasurers'				
Investment Fund	45,340,906	-	45,340,906	-
<b>Investment Total</b>	<u><b>\$ 67,313,119</b></u>			

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. The PTIF securities classified in Level 2 are valued by applying the June 30, 2018 fair value factor, as calculated by the Utah State Treasurer, to the UNTF's June 30, 2018 balance in the PTIF.

#### *Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The UNTF manages the exposure to fair value loss arising from increasing interest rates through prudent deployment, management, and oversight of investments with exposure to interest rate sensitivity. The UNTF does not have a formal policy for interest rate risk.

At June 30, 2018, the UNTF's investments had the following maturities:

Investment Type	Fair Value	Investment Maturities (in years)			
		Less than 1	1 to 5	6 to 10	More than 10
Bond Mutual Fund	\$ 20,951,239	\$ -	\$ 9,000,661	\$ 11,950,578	\$ -
State of Utah Public Treasurers' Investment Fund	<u>45,340,906</u>	45,340,906	-	-	-
<b>Total</b>	<u><b>\$ 66,292,145</b></u>				

#### *Credit Risk*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The UNTF manages the exposure to fair value loss arising from credit risk through prudent deployment, management and oversight of investments. The UNTF does not have a formal policy for credit risk.

**UTAH NAVAJO TRUST FUND**

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018

At June 30, 2018, the UNTF's investments had the following quality ratings:

Investment Type	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
Bond Mutual Fund	\$ 20,951,239	\$ -	\$ -	\$ -	\$ 20,951,239
State of Utah Public Treasurers' Investment Fund	45,340,906	-	-	-	45,340,906
	<u>\$ 66,292,145</u>				

*Concentration of Credit Risk*

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The UNTF manages the exposure to fair value loss arising from concentration of credit risk through prudent deployment, management and oversight of investments. The UNTF does not have a formal policy for concentration of credit risk.

**4. Capital Assets**

The changes in capital assets owned by the UNTF for the year ended June 30, 2018, are as follows:

	Beginning Balance*	Additions	Decreases	Ending Balance
Capital Assets Not Being Depreciated:				
Land	\$ 320,827	\$ -	\$ (662)	\$ 320,165
<b>Total Nondepreciable</b>	<u>320,827</u>	<u>-</u>	<u>(662)</u>	<u>320,165</u>
Capital Assets Being Depreciated:				
Buildings	12,343,937	-	-	12,343,937
Equipment	84,556	-	-	84,556
Vehicles	224,950	-	-	224,950
Software	11,058	-	-	11,058
<b>Total Depreciable</b>	<u>12,664,501</u>	<u>-</u>	<u>-</u>	<u>12,664,501</u>
Less Accumulated Depreciation for:				
Buildings	(5,330,935)	(341,434)	-	(5,672,369)
Equipment	(68,983)	(4,726)	-	(73,709)
Vehicles	(152,018)	(33,880)	-	(185,898)
Software	(2,384)	(2,212)	-	(4,596)
<b>Total Accumulated Depreciation</b>	<u>(5,554,320)</u>	<u>(382,252)</u>	<u>-</u>	<u>(5,936,572)</u>
Capital Assets Being Depreciated, Net	<u>7,110,181</u>	<u>(382,252)</u>	<u>-</u>	<u>6,727,929</u>
<b>Total Capital Assets, Net</b>	<u>\$ 7,431,008</u>	<u>\$ (382,252)</u>	<u>\$ (662)</u>	<u>\$ 7,048,094</u>

\* Beginning balances reflect the addition of the blended component unit. (See Note 11)

## UTAH NAVAJO TRUST FUND

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

#### 5. Operating Leases

Operating Leases – The UNTF is leasing property to other State agencies. The following schedule summarizes the lease terms and future minimum lease payments receivable.

Government Service Center – Blanding:

Historical cost of leased property	\$ 2,958,388
Less: accumulated depreciation	<u>(2,004,262)</u>
Carrying Value	<u>\$ 954,126</u>
Lease period	July 1997 thru June 2024
Lessees	Utah Department of Human Services, Department of Workforce Services, Court Administrator, and Department of Public Safety

<u>Future Minimum Lease Payments:</u>	<u>Amounts for Related Dates</u>
Fiscal Year 2019	\$ 314,736
Fiscal Year 2020	314,736
Fiscal Year 2021	314,736
Fiscal Year 2022	314,736
Fiscal Year 2023	149,628
Thereafter	<u>149,628</u>
Total	<u>\$ 1,558,200</u>

In addition to the above lease, the UNTF is leasing other properties on a month-to-month basis.

On June 20, 2006, the UNTF entered into an agreement to lease a five-acre parcel in Monument Valley from the San Juan School District for the purpose of constructing a health care clinic to serve the area residents, schools, and businesses. The term of the lease began on June 20, 2006 and expires in 50 years with one 25-year renewal option. The lease is a zero value lease with no payments made to the School District.

#### 6. Related Party Transactions

On January 22, 1998, the UNTF agreed to guarantee any operating deficits of the Blue Mountain Diné Associates, LLC (LLC), up to \$65,000. In previous years, the LLC had drawn down \$36,000 against the contingency commitment. As described in Note 11, the UNTF is the managing member of the LLC. In January 2005, this contingency commitment expired. Based on the terms of the commitment, the unpaid portion of the amount drawn down is considered a receivable to the UNTF. There is still \$36,000 remaining against the contingency commitment as of June 30, 2018.

## UTAH NAVAJO TRUST FUND

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

#### 7. Long-term Liabilities

At December 31, 2003, the Blue Mountain Mortgage Notes Payable consisted of conventional loans from the Olene Walker Housing Trust Fund and Zions First National Bank. In October 2016, the Olene Walker Housing Trust Fund Board approved the restructuring of both loans and deferred interest into new loans at 0% interest to be amortized over 15 years. The mortgage notes are collateralized by the buildings and land.

In April 2017, all the principal amounts together with any unpaid interest became due and payable and were consolidated into new loans of \$296,475 for the consolidated debt and \$89,900 for the deferred interest. Both loans are amortized over 15 years at 0% interest. The deferred interest loan requires no regular payments and will be forgiven after 15 years, unless the project is sold or the loan is refinanced.

Long-term debt and related information at December 31, 2017 consisted of the following:

Olene Walker Housing Trust Fund, bearing interest at 0%, payable in monthly installments of interest-only payments of \$1,647 through April, 2032	\$ 283,298
Olene Walker Housing Trust Fund Deferred Forgivable Loan, bearing interest at 0%, no payments and fully forgivable unless project is sold or refinanced before April 1, 2032	89,990
	<u>373,288</u>
Less current portion	<u>(19,764)</u>
<b>Total long-term debt</b>	<b><u><u>\$ 353,524</u></u></b>

Maturities of long-term debt are as follows:

Fiscal Year 2018	\$ 19,764
Fiscal Year 2019	19,764
Fiscal Year 2020	19,764
Fiscal Year 2021	19,764
Fiscal Year 2022	19,764
Fiscal Years 2023-2027	98,820
Fiscal Years 2028-2032	98,820
Fiscal Years 2033-2037	57,064
<b>Total</b>	<b><u><u>\$ 353,524</u></u></b>

## UTAH NAVAJO TRUST FUND

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

#### **8. Commitments**

As of June 30, 2018 the UNTF had outstanding commitments to Utah Chapters for projects of approximately \$1,669,318.

#### **9. Scholarship Endowment Fund**

In February 1993, the UNTF contributed \$500,000 to the College of Eastern Utah (now Utah State University Eastern) to be used as matching funds for a federal Endowment Challenge Grant Program. The UNTF's contribution, together with federal program funds, was used to establish the San Juan Navajo Scholarship Endowment Fund, which is administered by Utah State University Eastern. The Endowment Fund is invested in perpetuity to earn income to be used for scholarships for Utah Navajos residing in San Juan County, Utah. The Administrator of the Trust Fund is the chairperson of the scholarship committee responsible for approving all awards of scholarships from the San Juan Navajo Scholarship Endowment Fund.

#### **10. Risk Management**

The UNTF maintains insurance coverage for property and liability through the State of Utah Risk Management Fund. The UNTF pays an annual premium to Risk Management which provides coverage on property through a combination of self-insurance and private carriers up to \$1,000,000,000 per occurrence and provides coverage on liability through self-insurance.

#### **11. Blended Component Unit**

The UNTF is the managing member of the Blue Mountain Diné Associates, LLC, (LLC) which owns and operates a low-income housing apartment complex in Blanding, Utah. The LLC does not engage in any other business or activity. During 2016, the UNTF acquired the investor member interest from American Express-Utah Equity Fund, L.P. and is now the sole investor in the LLC. Being the managing member, the UNTF oversees the day-to-day operations of the housing complex and guarantees previous contingency commitment amounts (See Note 8).

Reporting the LLC as a separate component unit satisfies the financial accountability criteria as defined by Governmental Accounting Standards Board (GASB Statement No. 61, *The Financial Reporting Entity: Omnibus and Amendment of GASB Statements No. 14 and No. 34*). A component unit is an entity that is legally separated from the UNTF, but is financially accountable to the UNTF, or whose relationship with the UNTF is such that exclusion would cause the UNTF's financial statements to be misleading or incomplete. The LLC issues its own separate audited financial statements which can be obtained from the Utah Navajo Trust Fund, 151 East 500 North, Blanding, Utah 84511.

## UTAH NAVAJO TRUST FUND

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

The following schedules present a condensed balance sheet, statement of operations, and cash flow statement for the Blue Mountain Diné Associates, LLC:

### **Blue Mountain Diné Associates, LLC**

#### **Balance Sheet, Condensed**

**December 31, 2017**

	Blue Mountain Apartments	Eliminations	Total
<b>Assets</b>			
Current Assets	\$ 120,876	\$ 36,000	\$ 84,876
Capital Assets	516,225	-	516,225
<b>Total Assets</b>	<u>637,101</u>	<u>36,000</u>	<u>601,101</u>
<b>Liabilities</b>			
Current Liabilities	28,181	-	28,181
Long-Term Liabilities	389,524	36,000	353,524
<b>Total Liabilities</b>	<u>417,705</u>	<u>36,000</u>	<u>381,705</u>
<b>Members' Equity</b>			
Members' Equity (deficit)	<u>\$ 219,396</u>	<u>\$ -</u>	<u>\$ 219,396</u>

### **Blue Mountain Diné Associates, LLC**

#### **Statement of Operations, Condensed**

**For the Fiscal Year Ended December 31, 2017**

	Blue Mountain Apartments	Eliminations	Total
<b>Revenues</b>			
Income	\$ 89,698	\$ -	\$ 89,698
<b>Total Assets</b>	<u>89,698</u>	<u>-</u>	<u>89,698</u>
<b>Expenses</b>			
Operating, Maintenance & Other Expense	121,560	-	121,560
Mortgage Interest	4,017	-	4,017
<b>Total Deductions</b>	<u>125,577</u>	<u>-</u>	<u>125,577</u>
<b>Net Income</b>	(35,879)	-	(35,879)
<b>Members' Equity – Beginning</b>	255,275	-	255,275
<b>Members' Equity – Ending</b>	<u>\$ 219,396</u>	<u>\$ -</u>	<u>\$ 219,396</u>

**UTAH NAVAJO TRUST FUND**

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018

**Blue Mountain Diné Associates, LLC**

**Statement of Cash, Condensed**  
**For the Fiscal Year Ended December 31, 2017**

Net Cash Provided (Used) by Operations	\$ 14,768
Net Cash Provided (Used) by Investing Activities	(91)
Net Cash Provided (Used) by Financing Activities	<u>(17,306)</u>
<b>Net Increase (Decrease) in Cash</b>	(2,629)
<b>Cash – Beginning of Period</b>	<u>19,670</u>
<b>Cash – End of Period</b>	<u><u>\$ 17,041</u></u>