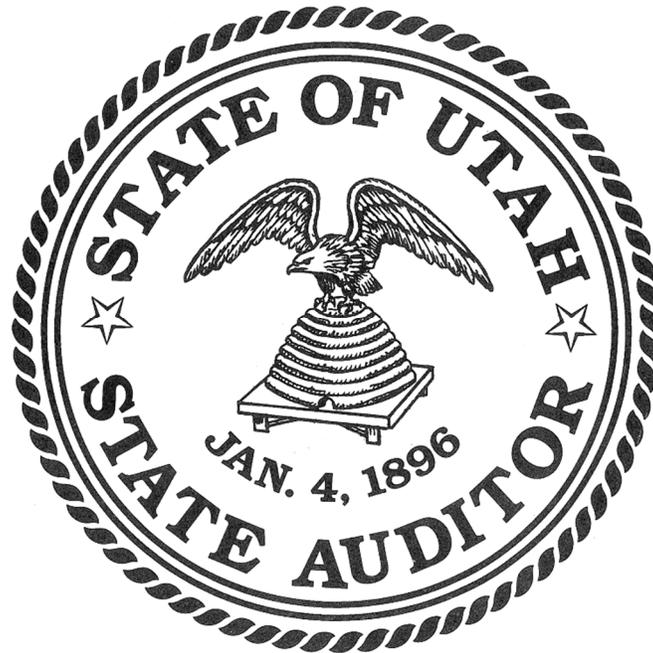


UTAH NAVAJO TRUST FUND

Annual Financial Report
For the Year Ended June 30, 2019

Report No. 19-45



OFFICE OF THE
STATE AUDITOR

UTAH NAVAJO TRUST FUND

Annual Financial Report
For the Year Ended June 30, 2019

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AUDIT LEADERSHIP:

John Dougall, State Auditor
Ryan Roberts, CPA, Audit Supervisor
Chase Brown, CPA, Audit Senior

UTAH NAVAJO TRUST FUND

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2019

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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, 2019, 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, 2019, 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, 2019, 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.

In addition, as discussed in Note 1, the accounting and reporting policies of the UNTF follow the accrual basis of accounting, with the exception of oil royalty revenues, which are accounted for on the cash basis of accounting. The cash basis of accounting is a basis of accounting other than 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 March 19, 2020 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
March 19, 2020

UTAH NAVAJO TRUST FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2019

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, 2019. It is intended to be an introduction to the fund's financial statements.

Highlights

The net position of the Trust Fund grew \$5 million or 6.6% in fiscal year 2019 largely because of an increase in oil royalties and investment income. The fund received \$3.2 million in royalties which is an increase of 12.5% from fiscal year 2018 due to increasing price and quantity of oil sales. Investment income for the year was \$3.7 million, which is an increase of nearly \$3 million from the prior year due to a recovering economy.

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.

Financial Analysis

The condensed statements below summarize the changes in the UNTF's financial statements between fiscal years 2019 and 2018.

UTAH NAVAJO TRUST FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2019

Condensed Statement of Fiduciary Net Position

<u>As of June 30</u>	<u>2019</u>	<u>2018</u>	<u>Change</u>	<u>Percentage</u>
Assets				
Cash	\$ 1,076,454	\$ 1,049,383	\$ 27,071	2.6%
Investments	72,486,615	67,313,119	5,173,496	7.7%
Capital Assets, Net	7,324,102	7,048,094	276,008	3.9%
Other Assets	191,662	845,793	(654,131)	-77.3%
Total Assets	<u>\$ 81,078,833</u>	<u>\$ 76,256,389</u>	<u>\$ 4,822,444</u>	<u>6.3%</u>
Liabilities				
Mortgage Loans Payable	\$ 333,759	\$ 353,524	\$ (19,765)	-5.6%
Other Liabilities	167,858	336,084	(168,226)	-50.1%
Total Liabilities	<u>\$ 501,617</u>	<u>\$ 689,608</u>	<u>\$ (187,991)</u>	<u>-27.3%</u>
Total Net Position	<u>\$ 80,577,216</u>	<u>\$ 75,566,781</u>	<u>\$ 5,010,435</u>	<u>6.6%</u>

Condensed Statement of Changes in Fiduciary Net Position

<u>For the year ending June 30</u>	<u>2019</u>	<u>2018</u>	<u>Change</u>	<u>Percentage</u>
Additions (Revenues)				
Investment Income	\$ 3,673,701	\$ 681,350	\$ 2,992,351	439.2%
Oil Royalties	3,230,501	2,870,418	360,083	12.5%
NRF Reimbursements	923,124	1,595,300	(672,176)	-42.1%
Rental Income	480,818	509,991	(29,173)	-5.7%
Sale of Land / Other Income	417,790	27,993	389,797	1392.5%
Total Additions (Revenues)	<u>\$ 8,725,934</u>	<u>\$ 5,685,052</u>	<u>\$ 3,040,882</u>	<u>53.5%</u>
Deductions (Expenses)				
Chapter Projects	\$ 994,463	\$ 1,360,360	\$ (365,897)	-26.9%
Educational Assistance	480,575	483,618	(3,043)	-0.6%
NRF Projects	861,680	1,594,885	(733,205)	-46.0%
Depreciation	376,349	382,253	(5,904)	-1.5%
Operating and Maintenance	247,908	43,817	204,091	465.8%
Administrative, General and Other	754,524	1,149,026	(394,502)	-34.3%
Total Deductions (Expenses)	<u>\$ 3,715,499</u>	<u>\$ 5,013,959</u>	<u>\$ (1,298,460)</u>	<u>-25.9%</u>
Change in Net Position	<u>\$ 5,010,435</u>	<u>\$ 671,093</u>	<u>\$ 4,339,342</u>	<u>646.6%</u>
Net Position - Beginning, as adjusted	75,566,781	74,895,688	671,093	0.9%
Net Position - Ending	<u>\$ 80,577,216</u>	<u>\$ 75,566,781</u>	<u>\$ 5,010,435</u>	<u>6.6%</u>

UTAH NAVAJO TRUST FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2019

Net Position

As shown on the Condensed Statement of Fiduciary Net Position, the fund's net position increased \$5 million or 6.6%. The largest asset of the fund is the investments which increased due to larger earnings due to the recovering economy. Investments account for 90% of the total net position and are held in the Public Treasurers' Investment Fund (PTIF) and bond and equity mutual funds. Other assets reflects a decrease in Due from Other funds due to the more timely repayment of projects by the Navajo Revitalization Fund.

Additions (Revenues)

This year the fund received 10.6% of its revenue from the NRF reimbursements, 37.0% from oil royalties, 42.1% from investment income and 5.5% from rental income. Oil royalties for fiscal year 2019 increased by 12.5% as a result of increased oil prices, production and sales. As stated previously, investment income increased due to the recovering economy. NRF reimbursements went down due to a decrease in related projects.

During fiscal year 2019 the UNTF exchanged approximately twenty-three acres of ground in Bluff, Utah, referred to as the Bluff Fair Grounds, with the San Juan School District for the five-acre parcel in Monument Valley where the health care clinic exists. The purpose of the transaction was to provide a location in Bluff for the School District to construct a new elementary school and to allow the UNTF to own the ground that the Clinic was built on. This land exchange resulted in a gain on the sale of land of \$416,390 which is an increase from fiscal year 2018 land sales.

Deductions (Expenses)

The fund expended \$994,463 in materials and labor for chapter projects for fiscal year 2019, which is a decrease of 26.9% compared to fiscal year 2018. NRF funded projects also decreased significantly or 46.0% in fiscal year 2019. Numerous projects were approved during the course of the year, but many of them have not yet incurred expenses. Expenses also directly correlate with the Utah Navajo Chapter's involvement. In order for funds to be utilized, a Chapter must select a project and prepare a proposal with the necessary documentation before funding is approved. Some Chapters are more proactive than others utilizing their Trust Fund allocations.

During fiscal year 2019, the UNTF decided that building and ground maintenance, as well as fleet vehicle maintenance, would be displayed in the Operating and Maintenance line of the financial statements instead of General and Administrative expenses to better reflect the type of expenses of the fund. This reclassification resulted in an increase of approximately \$230,000 in Operating and Maintenance expenses and a corresponding decrease in General and Administrative expenses.

Financial Outlook

Oil prices, production and sales significantly affect the financial future of the fund and are difficult to predict. Production from the Aneth Extension Oil Field has remained relatively stable in 2019. However, with the recent outbreak of Covid-19 and the oil price wars between Russia and the Middle East, prices have decreased dramatically. If the crisis prolongs, oil revenues for the upcoming year will significantly

UTAH NAVAJO TRUST FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2019

suffer. Interest rates on the PTIF investments peaked in 2019 and are predicted to decrease with the announcement of a rate reductions from the Federal Reserve Bank. The bond and equity fund markets had solid returns for 2019; however they too have been affected by the Covid-19 pandemic. Rental income has remained unchanged and is predicted to continue as such.

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.

Utah Navajo Trust Fund

Statement of Fiduciary Net Position

June 30, 2019

Assets

Cash (Notes 1 and 2)	\$	1,076,454
Investments (Notes 1 and 2)		
Public Treasurer's Investment Fund		44,094,242
Debt Securities		22,596,302
Equity Investments		5,796,071
Due from other State Agencies (Note 1)		182,389
Other Assets		9,273
Capital Assets: (Notes 1 and 3)		
Land		736,555
Buildings and Improvements		12,579,904
Less Accumulated Depreciation		(6,016,845)
Equipment		84,556
Less Accumulated Depreciation		(78,224)
Vehicles		224,950
Less Accumulated Depreciation		(211,045)
Software		11,058
Less Accumulated Depreciation		(6,807)
Total Capital Assets		<u>7,324,102</u>
Total Assets	\$	<u><u>81,078,833</u></u>

Liabilities

Accrued Expenditures	\$	12,749
Accounts Payable		65,334
Accrued Payroll		33,993
Due to Other State Agencies (Note 1)		55,782
Mortgage Loans Payable (Note 5)		333,759
Total Liabilities	\$	<u><u>501,617</u></u>

Net Position

Restricted for Trust Beneficiaries	\$	<u><u>80,577,216</u></u>
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The accompanying notes are an integral part of these financial statements.

Utah Navajo Trust Fund

Statement of Changes in Fiduciary Net Position

For the Fiscal Year Ended June 30, 2019

Additions

Investment Income (Notes 1 and 2)	\$ 3,673,701
Oil Royalties	3,230,501
Navajo Revitalization Fund Reimbursements (Note 1)	923,124
Rental Income (Note 4)	480,818
Gain on Sale of Land	416,390
Other Income	1,400
Total Additions	<u>8,725,934</u>

Deductions

Chapter Projects	994,463
Educational Assistance (Note 8)	480,575
Navajo Revitalization Fund Projects (Note 1)	861,680
Depreciation	376,349
Operating, Maintenance and Other Expenses	247,908
Administrative and General Expenses	754,509
Other Expense	15
Total Deductions	<u>3,715,499</u>

Change in Net Position 5,010,435

Net Position - Beginning	<u>75,566,781</u>
Net Position - Ending	<u>\$ 80,577,216</u>

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, 2019

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 original Navajo Trust Fund was created by the US Congress in 1933 to account for oil and gas royalties received from land transferred in behalf of the Utah Navajo Chapter, the majority of which represents the 37.5% of the net oil royalties from the Aneth Extension of the Navajo Indian Reservation. The 2008 Utah Legislature repealed and replaced the original Trust Fund with the Utah Navajo Royalties Holding Fund created under Utah Code 51-9-504. In 2015, the Utah Legislature replaced the Holding Fund with the Navajo Trust Fund created in Utah Code 51-10-201. The net oil royalties are paid to the State in accordance with Federal Public Law No. 72-403, 47 Stat. 141, as amended, to be used for the health, education, and general welfare of the Utah Navajos residing in San Juan County, Utah.

Reporting Entity – The financial statements report the financial activity of the UNTF including Blue Mountain Diné Associates, L.L.C. (Blue Mountain), a blended component unit. A component unit is an entity that is legally separate 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. Blue Mountain is blended with the UNTF for reporting purposes because UNTF is the sole corporate member. Blue Mountain is reported at its fiscal year ending December 31 and issues its own separate audited financial statements which can be obtained from the Utah Navajo Trust Fund, 151 East 500 North, Blanding, Utah 84511. (See Note 9)

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 Utah State policy as assets that cost \$5,000 or more when acquired 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

UTAH NAVAJO TRUST FUND

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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 half 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 Navajo Revitalization Fund (NRF) (a State of Utah fund) 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. 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 fund. As a result, the UNTF may be liable for an apportioned amount of the System’s net pension liability related to these eligible employees. Management estimates the UNTF’s portion of the State’s June 30, 2019 unfunded pension liability to be less than \$250,000 and considers the estimated pension liability and other related activity immaterial to the fund. As a result, pension-related activity has not been reflected in these financial statements other than to record pension contributions as General and Administrative expenses.

2. 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, 2019, UNTF’s bank balance of \$1,076,454 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.

UTAH NAVAJO TRUST FUND

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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.

At June 30, 2019, the UNTF had the following recurring fair value measurements.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Debt Securities:				
Bond Mutual Fund	\$22,596,302	\$ 22,596,302	\$ -	\$ -
Total Debt Securities	<u>22,596,302</u>	<u>22,596,302</u>	<u>-</u>	<u>-</u>
Equity Securities:				
Equity Mutual Fund	5,796,071	5,796,071	-	-
Total Equity Securities	<u>5,796,071</u>	<u>5,796,071</u>	<u>-</u>	<u>-</u>
State of Utah Public Treasurers'				
Investment Fund	44,094,242	-	44,094,242	-
Investment Total	<u>\$72,486,615</u>			

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. Debt and equity securities classified in Level 2 are valued using the following approach:

- Utah Public Treasurers' Investment Fund: application of the June 30, 2019 fair value factor, as calculated by the Utah State Treasurer, to the UNTF's June 30 ending balance in the Fund.

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.

UTAH NAVAJO TRUST FUND

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

At June 30, 2019, the UNTF's investments had the following maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>		
		<u>Less than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>
Bond Mutual Fund	\$22,596,302	\$ -	\$ 9,496,530	\$13,099,772
State of Utah Public Treasurers' Investment Fund	<u>44,094,242</u>	44,094,242	-	-
Total	<u><u>\$66,690,544</u></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.

At June 30, 2019, the UNTF's investments had the following quality ratings:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Quality Ratings</u>			
		<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Unrated</u>
Bond Mutual Fund	\$22,596,302	\$ -	\$ -	\$ -	\$22,596,302
State of Utah Public Treasurers' Investment Fund	<u>44,094,242</u>	-	-	-	44,094,242
Total	<u><u>\$66,690,544</u></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.

UTAH NAVAJO TRUST FUND

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

<u>Future Minimum Lease Payments:</u>	<u>Amounts for Related Dates</u>
Fiscal Year 2020	\$ 380,036
Fiscal Year 2021	380,036
Fiscal Year 2022	379,986
Fiscal Year 2023	214,628
Fiscal Year 2024	214,628
Fiscal Year s 2025 - 2029	259,999
Total	<u>\$ 1,829,313</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. During fiscal year 2019 the UNTF exchanged with the San Juan School district approximately twenty-three acres of ground in Bluff, Utah, referred to as the Bluff Fair Grounds, owned by the UNTF, for the five-acre parcel in Monument Valley where the health care clinic exists. The purpose of the transaction was to provide a location in Bluff for the School District to construct a new elementary school and to allow the UNTF to own the ground that the Clinic was built on. Both parcels were surveyed and appraised and a fair market transaction was conducted.

5. Mortgage Loans Payable

Mortgage loans payable consists of the Blue Mountain Diné Associates' conventional mortgage loans from the Olene Walker Housing Trust Fund. 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. The mortgage notes are collateralized by the buildings and land.

At December 31, 2019, mortgage loans payable consisted of the following:

Olene Walker Housing Trust Fund, bearing interest at 0%, payable in monthly principle installments of \$1,647 through April, 2032	\$ 243,769
Olene Walker Housing Trust Fund Deferred Forgivable Loan, bearing interest at 0%, no payments and fully forgivable unless project is sold or refinanced before through April 1, 2032	<u>89,990</u>
Total Mortgage Loans Payable	<u>\$ 333,759</u>

UTAH NAVAJO TRUST FUND

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Maturities of the mortgage payable are as follows:

As of December 31		
	2019	\$ 19,764
	2020	19,764
	2021	19,764
	2022	19,764
	2023	19,764
	2024-2028	98,820
	2029-2033	98,820
	2034-2038	37,299
		<u>\$ 333,759</u>

6. Commitments

As of June 30, 2019, the UNTF had outstanding commitments to Utah Chapters for projects of approximately \$1,829,093.

7. 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.

8. Risk Management

The UNTF maintains insurance coverage for property and liability through the Utah State Risk Management Fund. The UNTF pays an annual premium to Risk Management which provides coverage on individual property and casualty claims up to \$1 million and up to \$3.5 million in aggregate claims and beyond the excess insurance policy limit of \$1 billion per occurrence.

9. Blended Component Unit

The UNTF is the sole investor and managing member of the Blue Mountain Diné Associates, 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. Being the managing member, the UNTF oversees the day-to-day operations of the housing complex and guarantees previous contingency commitment amounts (See Note 5).

On January 22, 1998, the UNTF agreed to guarantee any operating deficits of the Blue Mountain Diné Associates, LLC, up to \$65,000. In previous years, Blue Mountain Diné Associates, LLC had drawn down \$36,000 against the contingency commitment. 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

UTAH NAVAJO TRUST FUND

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

receivable to the UNTF. There is still \$36,000 remaining against the contingency commitment as of June 30, 2019.

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

Condensed Balance Sheet December 31, 2018

Assets	Total	Eliminations	Blended Total
Current Assets	\$ 131,428	\$ (36,000)	\$ 95,428
Capital Assets	462,947	-	462,947
Total Assets	\$ 594,375	\$ (36,000)	\$ 558,375
Liabilities			
Current Liabilities	\$ 27,116	\$ -	\$ 27,116
Long Term Liabilities	369,759	(36,000)	333,759
Total Liabilities	\$ 396,875	\$ (36,000)	\$ 360,875
Members' Equity	\$ 197,500	\$ -	\$ 197,500

Condensed Statement of Operations For Year Ended December 31, 2018

Revenues	\$ 87,288
Expenses	
Operating, Maintenance & Other Exp	55,906
Depreciation	53,278
Total Expenses	\$ 109,184
Operating Loss	(21,896)
Members' Equity Beginning	219,396
Members' Equity Ending	\$ 197,500

Condensed Statement of Cash Flows For Year Ended December 31, 2018

Cash Flows from Operations	\$ 32,967
Cash Flows Provided (Used) by Investing	(147)
Net Cash Provided (Used) by Financing Activities	(19,608)
Net Increase (Decrease) in Cash	\$ 13,212
Cash Beginning of Period	108,943
Cash End of Period	\$ 122,155