

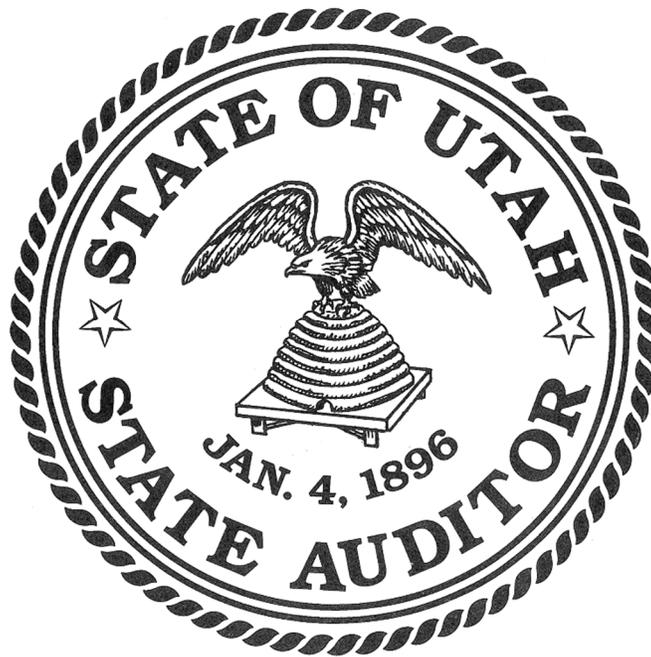
# UTAH NAVAJO TRUST FUND

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Annual Financial Report  
and  
Government Auditing Standards Report  
For the Year Ended June 30, 2020

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Report No. 20-38



## OFFICE OF THE STATE AUDITOR

AUDIT LEADERSHIP:

John Dougall, State Auditor  
Ryan Roberts, CPA, Audit Supervisor  
Caleb Tindall, CPA, Audit Senior

# **UTAH NAVAJO TRUST FUND**

## ANNUAL FINANCIAL REPORT and GOVERNMENT AUDITING STANDARDS REPORT FOR THE YEAR ENDED JUNE 30, 2020

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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, 2020, and the related notes to the financial statements, which collectively comprise 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 UNTF as of June 30, 2020, 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, 2020, 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 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 11, 2021 on our consideration of 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 UNTF's internal control over financial reporting and compliance.

*Office of the State Auditor*

Office of the State Auditor  
March 11, 2021

# **UTAH NAVAJO TRUST FUND**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2020**

### **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, 2020. It is intended to be an introduction to the fund's financial statements.

### **Highlights**

The net position of the Trust Fund grew \$3.29 million or 4.1% in fiscal year 2020 largely because of oil royalties received and investment income. The fund received \$3.13 million in royalties and \$2.75 million in investment income. Chapter projects expenditures decreased 2.1% from a reduction in projects due to COVID-19. Higher education financial aid awards increased for the year by 7.5% enabling more students to achieve their educational goals.

### **Overview of Financial Statements**

This report includes the financial statements for UNTF, including Blue Mountain Dine Associates, LLC, a blended component unit. 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 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 fund as of the end of the fiscal year. These statements are meant to give a broad overview of the financial position of the fund 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 UNTF's financial statements between fiscal years 2020 and 2019.

## UTAH NAVAJO TRUST FUND

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2020

#### Condensed Statement of Fiduciary Net Position

	<b>2020</b>	<b>2019</b>	<b>Change</b>	<b>Percentage</b>
<b>Assets</b>				
Cash	\$ 933,046	\$ 1,076,454	\$ (143,408)	-13.3%
Investments	76,240,099	72,486,615	3,753,484	5.2%
Loans Receivable	7,019,575	7,324,102	(304,527)	-4.2%
Capital Assets, Net	142,896	191,662	(48,766)	-25.4%
<b>Total Assets</b>	<b>\$ 84,335,616</b>	<b>\$ 81,078,833</b>	<b>\$ 3,256,783</b>	<b>4.0%</b>
<b>Liabilities</b>				
Mortgage Loans Payable	313,994	333,759	(19,765)	-5.9%
Other Liabilities	157,913	167,858	(168,226)	-100.2%
<b>Total Liabilities</b>	<b>\$ 471,907</b>	<b>\$ 501,617</b>	<b>\$ (29,710)</b>	<b>-5.9%</b>
<b>Total Net Position</b>	<b>\$ 83,863,709</b>	<b>\$ 80,577,216</b>	<b>\$ 3,286,493</b>	<b>4.1%</b>

#### Condensed Statement of Changes in Fiduciary Net Position

	<b>2020</b>	<b>2019</b>	<b>Change</b>	<b>Percentage</b>
<b>Additions (Revenues)</b>				
Investment Income	\$ 2,753,805	\$ 3,673,701	\$ (919,896)	-25.0%
Oil Royalties	3,134,024	3,230,501	(96,477)	-3.0%
NRF Reimbursements	688,060	923,124	(235,064)	-25.5%
Rental Income	481,635	480,818	817	0.2%
Sale of Land / Other Income	2,255	417,790	(415,535)	-99.5%
<b>Total Additions (Revenues)</b>	<b>\$ 7,059,779</b>	<b>\$ 8,725,934</b>	<b>\$ (1,666,155)</b>	<b>-19.1%</b>
<b>Deductions (Expenses)</b>				
Chapter Projects	\$ 973,756	\$ 994,463	\$ (20,707)	-2.1%
Educational Assistance	516,387	480,575	35,812	7.5%
NRF Projects	695,178	861,680	(166,502)	-19.3%
Depreciation	380,240	376,349	3,891	1.0%
Operating & Maintenance	360,056	247,908	112,148	45.2%
Administrative, General, & Other	847,669	754,524	93,145	12.3%
<b>Total Deductions (Expenses)</b>	<b>\$ 3,773,286</b>	<b>\$ 3,715,499</b>	<b>\$ 57,787</b>	<b>1.6%</b>
<b>Change in Net Position</b>	<b>\$ 3,286,493</b>	<b>\$ 5,010,435</b>	<b>\$ (1,723,942)</b>	<b>-34.4%</b>
<b>Beginning Net Position</b>	<b>\$ 80,577,216</b>	<b>\$ 75,566,781</b>	<b>\$ 5,010,435</b>	<b>6.6%</b>
<b>Ending Total Net Position</b>	<b>\$ 83,863,709</b>	<b>\$ 80,577,216</b>	<b>\$ 3,286,493</b>	<b>4.1%</b>

# UTAH NAVAJO TRUST FUND

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2020

### **Net Position**

As shown on the Condensed Statement of Fiduciary Net Position, the fund's net position increased \$3.29 million or 4.1%. Investments, which are the largest asset of the fund, increased \$3.75 million or 5.2% because of the earned income during the year and excess cash that was shifted to the investment portfolio. Investments account for 90.4% of the total net position and are held in the Public Treasurer's Investment Fund (PTIF) and bond and equity mutual funds.

### **Additions (Revenues)**

Overall, revenues for the Trust Fund decreased 19.1% primarily because the economy struggled to recover from COVID-19 and a land sale in fiscal year 2019. This year the fund received 39.0% of its revenue from investment income, 44.4% from oil royalties, 9.7% from the NRF reimbursements and 6.8% from rental income. Investment income decreased because the Federal Reserve Bank lowered interest rates to combat the sluggish economy caused by the COVID-19 pandemic. This rate reduction primarily affected the PTIF account. The equity and bond fund investments did suffer losses during the first of the year, but finished relatively strong by fiscal year end. The NRF reimbursements also decreased because of a slowdown in Chapter projects from COVID-19 and oil severance tax revenue. Rental income has stayed relatively consistent.

### **Deductions (Expenses)**

Expenses for the Trust Fund remained relatively stable showing a small increase of 1.6%. The fund expended approximately \$1 million dollars in materials and labor for Chapter projects for fiscal year 2020, consistent with 2019. NRF funded projects decreased 19.3% in fiscal year 2020 despite numerous approvals during the course of the year. Even though a project is approved, it can take several years for the funds to be expended. Chapter projects also directly correlate with the 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 and expenses accrued. Some Chapters are more proactive than others utilizing their Trust Fund allocations. COVID-19 has also affected the activity of the Navajo Chapters. Because there were so many COVID-19 cases within the reservation, the Navajo Nation leadership shut down most all Navajo entities including the Chapters for several months. However, operating, maintenance and other expenses increased 45.2% because of a roofing project on several of the Blue Mountain Apartment units and a parking lot resurface on the Blanding Government Service Building.

# **UTAH NAVAJO TRUST FUND**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2020**

### **Financial Outlook**

Oil prices, production and sales, and interest rates 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 2020. However, oil prices have decreased because of fluctuations in the market. If these prices continue, oil revenues will remain lower for the upcoming year. Interest rates on the PTIF investments decreased in 2020 and are predicted to remain low with the uncertainty of COVID-19 and the effect it has had on the economy. The bond and equity fund markets had solid returns for 2020; however they too could be volatile in the upcoming year with economic uncertainty. 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 UNTF's finances and to demonstrate its financial accountability over its resources. If you have questions regarding this report or need further information regarding 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, 2020

### Assets

Cash (Notes 1 and 2)	\$	933,046
Investments (Notes 1 and 2)		
Public Treasurer's Investment Fund		45,217,356
Debt Securities		24,320,377
Equity Investments		6,702,365
Accounts Receivable		7,017
Due from other State Agencies (Note 1)		126,492
Other Assets		9,387
Capital Assets: (Notes 1 and 3)		
Land		736,555
Buildings		12,343,937
Less Accumulated Depreciation		(6,353,645)
Infrastructure		235,967
Less Accumulated Depreciation		(13,765)
Equipment		90,854
Less Accumulated Depreciation		(83,853)
Vehicles		294,366
Less Accumulated Depreciation		(232,876)
Software		11,057
Less Accumulated Depreciation		(9,021)
Total Capital Assets		<u>7,019,576</u>
<b>Total Assets</b>	<b>\$</b>	<b><u>84,335,616</u></b>

### Liabilities

Accounts Payable		82,955
Accrued Payroll		42,476
Due to Other State Agencies (Note 1)		32,482
Mortgage Loans Payable (Note 5)		313,994
<b>Total Liabilities</b>	<b>\$</b>	<b><u>471,907</u></b>

### Net Position

<b>Restricted for Trust Beneficiaries</b>	<b>\$</b>	<b><u>83,863,709</u></b>
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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 Fiscal Year Ended June 30, 2020

### Additions

Investment Income (Notes 1 and 2)	\$ 2,753,806
Oil Royalties	3,134,024
Navajo Revitalization Fund Reimbursements (Note 1)	688,060
Rental Income (Note 4)	481,635
Other Income	2,255
<b>Total Additions</b>	<b><u>\$ 7,059,780</u></b>

### Deductions

Chapter Projects	973,756
Educational Assistance (Note 7)	516,387
Navajo Revitalization Fund Projects (Note 1)	695,178
Depreciation	380,240
Operating, Maintenance, and Other Expenses	360,056
Administrative and General Expenses	847,641
Other Expense	29
<b>Total Deductions</b>	<b><u>\$ 3,773,287</u></b>

**Change in Net Position** **3,286,493**

Net Position - Beginning	<u>80,577,216</u>
Net Position - Ending	<b><u>\$ 83,863,709</u></b>

*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, 2020

#### **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 United States 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 37½ percent 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 UNTF including Blue Mountain Dine Associates, L.L.C. (Blue Mountain), a blended component unit. A component unit is an entity that is legally separate from UNTF, but is financially accountable to UNTF, or whose relationship with UNTF is such that exclusion would cause UNTF's financial statements to be misleading or incomplete. Blue Mountain is blended with 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 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 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 UNTF are included on the Statement of Fiduciary Net Position.

## UTAH NAVAJO TRUST FUND

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

#### **Cash and Investments**

UNTF's cash is maintained as bank deposits. 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 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

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.

#### **Navajo Revitalization Fund Projects and Reimbursements**

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. UNTF processes these transactions and then receives reimbursement from the NRF. 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.

#### **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.

## **UTAH NAVAJO TRUST FUND**

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

#### **Pensions**

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, UNTF may be liable for an apportioned amount of the System's net pension liability related to these eligible employees. Management estimates UNTF's portion of the State's June 30, 2020 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, UNTF's deposit may not be returned to it. UNTF does not have formal deposit policy for custodial credit risk. As of June 30, 2020, UNTF's bank balance of \$933,046 was uninsured and uncollateralized.

### **Investments**

The Utah State Treasurer's Office is responsible for the investments of the fund and shall invest and manage the fund assets as a prudent investor would as outlined in *Utah Code* Section 51-10-201(4). Currently the fund'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*

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:

## UTAH NAVAJO TRUST FUND

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

- *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, 2020, 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	\$ 24,320,377	\$ 24,320,377	\$ -	\$ -
State of Utah Public Treasurers' Investment Fund	45,217,356	-	45,217,356	-
Total Debt Securities	69,537,733	24,320,377	45,217,356	-
Equity Securities:				
Equity Mutual Fund	6,702,366	6,702,366	-	-
Total Equity Securities	6,702,366	6,702,366	-	-
<b>Investment Total</b>	<b>\$ 76,240,099</b>			

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. Debt securities, namely the PTIF, classified in Level 2 are valued by applying the June 30, 2020 fair value factor, as calculated by the Utah State Treasurer, to 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. 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. UNTF does not have a formal policy for interest rate risk.

At June 30, 2020, UNTF's debt securities 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>	<u>More than 10</u>
Bond Mutual Fund	\$ 24,320,377	\$ -	\$ 9,976,156	\$ 14,344,221	\$ -
State of Utah Public Treasurers' Investment Fund	45,217,356	45,217,356	-	-	-
<b>Total</b>	<b>\$ 69,537,733</b>				

## UTAH NAVAJO TRUST FUND

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

#### *Credit Risk*

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

At June 30, 2020, UNTF's debt securities 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	\$ 24,320,377	\$ -	\$ -	\$ -	\$ 24,320,377
State of Utah Public Treasurers' Investment Fund	<u>45,217,356</u>	-	-	-	45,217,356
	<u>\$ 69,537,733</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. UNTF manages the exposure to fair value loss arising from concentration of credit risk through prudent deployment, management and oversight of investments. 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, 2020

#### 3. Capital Assets

The changes in capital assets owned by UNTF for the year ended June 30, 2020, are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets Not Being Depreciated:				
Land	\$ 736,555	\$ -	\$ -	\$ 736,555
<b>Total Capital Assets not being Depreciated</b>	<u>736,555</u>	<u>-</u>	<u>-</u>	<u>736,555</u>
Capital Assets Being Depreciated:				
Buildings	12,343,937	-	-	12,343,937
Infrastructure	235,967	-	-	235,967
Equipment	84,556	6,298	-	90,854
Vehicles	224,950	69,416	-	294,366
Software	11,058	-	-	11,058
<b>Total Capital Assets being Depreciated</b>	<u>12,900,468</u>	<u>75,714</u>	<u>-</u>	<u>12,976,182</u>
Less Accumulated Depreciation for:				
Buildings	(6,016,845)	(336,800)	-	(6,353,645)
Infrastructure	-	(13,765)	-	(13,765)
Equipment	(78,224)	(5,629)	-	(83,853)
Vehicles	(211,045)	(21,831)	-	(232,876)
Software	(6,807)	(2,214)	-	(9,021)
<b>Total Accumulated Depreciation</b>	<u>(6,312,921)</u>	<u>(380,239)</u>	<u>-</u>	<u>(6,693,160)</u>
Capital Assets Being Depreciated, Net	<u>6,587,547</u>	<u>(304,525)</u>	<u>-</u>	<u>6,283,022</u>
<b>Total Capital Assets, Net</b>	<u>\$ 7,324,102</u>	<u>\$ (304,525)</u>	<u>\$ -</u>	<u>\$ 7,019,577</u>

#### 4. Operating Leases

UNTF leases property to other State agencies. The following schedule summarizes the lease terms and future minimum lease payments receivable.

**UTAH NAVAJO TRUST FUND**

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

**Leased Buildings**

Historical Cost of Leased Property	\$ 9,098,009
Less: Accumulated Depreciation	<u>(4,220,352)</u>
Carrying Value	<u>\$ 4,877,657</u>

Lease Period July 1997 - June 2028

Lessees Utah Department of Human Services,  
Department of Workforce Services,  
Court Administrator, Department of  
Public Safety, and Utah Navajo Health  
Systems, Inc.

<u>Future Minimum Lease Payments</u>	<u>Amounts for Related Dates</u>
Fiscal Year 2021	\$ 391,004
Fiscal Year 2022	368,120
Fiscal Year 2023	225,488
Fiscal Year 2024	225,488
Fiscal Year 2025	65,000
Fiscal Year 2026-2030	<u>195,000</u>
Total	<u>\$ 1,470,100</u>

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

**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.

## UTAH NAVAJO TRUST FUND

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

At December 31, 2020, mortgage loans payable 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	\$ 224,005
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	<u>89,990</u>
Total Mortgage Loan Payable	<u><u>313,995</u></u>

Maturities of the mortgage are payable as follows:

As of December 31

2020	\$ 19,764
2021	19,764
2022	19,764
2023	19,764
2024	19,764
2025-2029	98,820
2030-2034	98,820
2035-2039	17,535
<b>Total</b>	<u><u>\$ 313,995</u></u>

#### 6. Commitments

As of June 30, 2020 UNTF had outstanding commitments to Utah Chapters for projects of approximately \$2,514,288.

#### 7. Scholarship Endowment Fund

In February 1993, 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. 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.

## **UTAH NAVAJO TRUST FUND**

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

#### **8. Risk Management**

UNTF maintains insurance coverage for property and liability through the Utah State Risk Management Fund. 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**

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, UNTF oversees the day-to-day operations of the housing complex and guarantees previous contingency commitment amounts (see Note 5).

On January 22, 1998, 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 receivable to UNTF. There is still \$36,000 remaining against the contingency commitment as of June 30, 2020.

The following schedules present a condensed balance sheet, statement of operations and cash flow statement for Blue Mountain Diné.

**UTAH NAVAJO TRUST FUND**

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

**Blue Mountain Diné Associates, LLC**  
**Condensed Balance Sheet**  
**December 31, 2019**

<b>Assets</b>	<u>Total</u>	<u>Eliminations</u>	<u>Blended Total</u>
Current Assets	\$ 127,517	\$ (36,000)	\$ 91,517
Capital Assets	409,876	-	409,876
<b>Total Assets</b>	<u>\$ 537,393</u>	<u>\$ (36,000)</u>	<u>\$ 501,393</u>
<b>Liabilities</b>			
Current Liabilities	44,328	-	44,328
Long-Term Liabilities	349,994	(36,000)	313,994
<b>Total Liabilities</b>	<u>\$ 394,322</u>	<u>\$ (36,000)</u>	<u>\$ 358,322</u>
<b>Members' Equity</b>	<u>\$ 143,071</u>	<u>\$ -</u>	<u>\$ 143,071</u>

**Blue Mountain Diné Associates, LLC**  
**Condensed Statement of Operations**  
**For the Fiscal Year Ended December 31, 2019**

<b>Revenues</b>	\$ 89,595
<b>Expenses</b>	
Operating, Maintenance & Other Expenses	\$ 90,953
Depreciation	53,071
<b>Total Expenses</b>	<u>\$ 144,024</u>
<b>Operating Loss</b>	\$ (54,429)
<b>Members' Equity – Beginning</b>	197,500
<b>Members' Equity – Ending</b>	<u>\$ 143,071</u>

**UTAH NAVAJO TRUST FUND**

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

**Blue Mountain Diné Associates, LLC**  
**Condensed Statement of Cash**  
**For the Fiscal Year Ended December 31, 2019**

Cash Flows from Operations	\$ 15,740
Cash Flows Provided (Used) by Investing	-
Net Cash Provided (Used) by Financing Activities	<u>(19,765)</u>
Net Increase (Decrease) in Cash	(4,025)
<b>Cash – Beginning of Period</b>	<u>122,155</u>
<b>Cash – End of Period</b>	<u><u>\$ 118,130</u></u>



OFFICE OF THE  
**STATE AUDITOR**

**INDEPENDENT STATE AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited the 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, 2020, and the related notes to the financial statements, which collectively comprise UNTF's financial statements, and have issued our report thereon dated March 11, 2021. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered UNTF's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of UNTF's internal control. Accordingly, we do not express an opinion on the effectiveness of UNTF's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or to detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses that have not been identified may exist.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether UNTF's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, pursuant to *Utah Code* Title 63G Chapter 2, this report is a matter of public record, and as such, its distribution is not limited.

*Office of the State Auditor*

Office of the State Auditor

March 11, 2021