

# Utah Navajo Trust Fund

## Annual Financial Report and Government Auditing Standards Report For the Year Ended June 30, 2021



## Utah Navajo Trust Board of Trustees

In accordance with Utah Statute 51-10-202, the Board of Trustees is a three-member board. The Utah State Treasurer serves as member and chair, the director of the Division of Finance of the State of Utah serves as a second member, and the director of the Governor's Office of Planning and Budget or his designee serves as the third member.

Board members as of June 30, 2021 are as follows:



Marlo Oaks  
*Board Chair*  
*State Treasurer*



Janica Gines  
*Board Member*  
*Finance Division Director*



Taylor Kauffman  
*Board Member*  
*Governor's Office of*  
*Planning and Budget*

### Diné Advisory Committee:



Aretta Begay  
*Teecnospos, Chair*

Ryan Benally  
*Red Mesa, Vice Chair*  
Stanley Nez  
*Blue Mountain Diné Community*  
Melvin Captain Jr.  
*Aneth*  
Jamie Harvey  
*Aneth*  
Ana Mae Jim  
*NaatsisAan Chapter*

**Utah Navajo Trust Fund Administrator:**  
Tony Dayish

**Statement Prepared by:**  
Maury Bergman  
*Finance Manager*

Utah Navajo Trust Fund  
**Annual Financial Report**  
For the Year Ended June 30, 2021

**Table of Contents**

	Page
<b>Independent Auditor’s Report</b> .....	1
<b>Management’s Discussion and Analysis</b> .....	4
<b>Financial Statements</b>	
Statement of Fiduciary Net Position .....	8
Statement of Changes in Fiduciary Net Position .....	9
Notes to the Financial Statements .....	10
 <b>Independent 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</b> .....	 19



OFFICE OF THE  
STATE AUDITOR

## Independent Auditor's Report

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

We have audited the accompanying financial statements of the Utah Navajo Trust Fund (UNTF) as of and for the year ended June 30, 2021, 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 respective financial position of UNTF, as of June 30, 2021, and the respective changes in 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, 2021, 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 the 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 Information*

Our audit was conducted for the purpose of forming an opinion on UNTF's financial statements. The section disclosing the UNTF Board of Trustees, the Dine' Advisory Committee, the UNTF Administrator, and the statement preparer have not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on this other information.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 7, 2022 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, and 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 the effectiveness of UNTF's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering UNTF's internal control over financial reporting and compliance.

*Office of the State Auditor*

Office of the State Auditor

April 7, 2022

## **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, 2021. It is intended to be an introduction to the fund's financial statements.

## **Highlights**

Highlights for the year include a gain in net position of \$2.79 million or 3.3%. The fund received \$3.59 million in investment income and \$1.79 million in oil royalties for the year. Investment income was up 30.2% because of a rebound in the bond and equities market from the COVID-19 Pandemic. Chapter projects and Navajo Revitalization Fund projects also increased 5.3% and 58.1%, respectively, meaning there was an increase in housing, power lines and other community structures and developments.

## **Overview of Financial Statements**

This report includes the Financial Statements for the UNTF, including Blue Mountain Diné 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 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 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 the UNTF's financial statements between fiscal years 2021 and 2020.



**Utah Navajo Trust Fund**  
**Management's Discussion and Analysis**  
For the Year Ended June 30, 2021

**Condensed Statement of Fiduciary Net Position**

	2021	2020	Change	Percentage
<b>Assets</b>				
Current & Other Assets	\$ 80,608,947	\$ 77,316,040	\$ 3,292,907	4.3%
Capital Assets	6,651,598	7,019,576	\$ (367,978)	(5.2)%
<b>Total Assets</b>	<b>\$ 87,260,545</b>	<b>\$ 84,335,616</b>	<b>\$ 2,924,929</b>	<b>3.5%</b>
<b>Liabilities</b>				
Current Liabilities	\$ 313,798	\$ 157,913	\$ 155,885	98.7%
Long-term Liabilities	294,230	313,994	(19,764)	(6.3)%
<b>Total Liabilities</b>	<b>\$ 608,028</b>	<b>\$ 471,907</b>	<b>\$ 136,121</b>	<b>28.8%</b>
<b>Total Net Position</b>	<b>\$ 86,652,517</b>	<b>\$ 83,863,709</b>	<b>\$ 2,788,808</b>	<b>3.3%</b>

**Net Position**

As shown on the Condensed Statement of Fiduciary Net Position, the fund's net position increased \$2.79 million or 3.3% as the fund's investments continue to recover from the COVID-19 pandemic. Capital assets decreased with the continued depreciation of assets. Current liabilities increased for amounts due to the Division of Construction Management for the Aneth Warehouse project expensed in fiscal year 2021 but paid in fiscal year 2022.





**Utah Navajo Trust Fund**  
**Management's Discussion and Analysis**  
For the Year Ended June 30, 2021

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

	2021	2020	Change	Percentage
<b>Additions (Revenues)</b>				
Investment Income	\$ 3,586,461	\$ 2,753,806	\$ 832,655	30.2%
Oil Royalties	1,791,877	3,134,024	(1,342,147)	(42.8)%
NRF Reimbursements	1,098,778	688,060	410,718	59.7%
Rental Income	510,084	481,635	28,449	5.9%
Sale of Land/Other Income	101,439	2,255	99,184	4398.4%
<b>Total Additions (Revenues)</b>	<u>\$ 7,088,639</u>	<u>\$ 7,059,780</u>	<u>\$ 28,859</u>	0.4%
<b>Deductions (Expenses)</b>				
Chapter Projects	\$ 1,025,656	\$ 973,756	\$ 51,900	5.3%
Educational Assistance	383,138	516,387	(133,249)	(25.8)%
NRF Projects	1,098,778	695,178	403,600	58.1%
Depreciation	371,911	380,240	\$ (8,329)	(2.2)%
Operating & Maintenance	664,700	360,056	304,644	84.6%
Administrative Expenses	755,648	847,670	(92,022)	(10.9)%
<b>Total Deductions (Expenses)</b>	<u>\$ 4,299,831</u>	<u>\$ 3,773,287</u>	<u>\$ 526,544</u>	14.0%
<b>Change in Net Position</b>	\$ 2,788,808	\$ 3,286,493	\$ (497,685)	(15.1)%
<b>Beginning Net Position</b>	<u>83,863,709</u>	<u>80,577,216</u>		
<b>Ending Net Position</b>	<u>\$ 86,652,517</u>	<u>\$ 83,863,709</u>		

**Additions (Revenues)**

Overall, revenues for the Trust Fund increased 0.4% as the economy started to reemerge from COVID-19. This year the fund received 50.6% of its revenue from investment income, 25.3% from oil royalties 15.5% from the NRF reimbursements, 7.2% from rental income and 1.4% from other income. Investment income was up 30.2% because of a healthy bond and stock market for most of fiscal year 2021. However, as of the third quarter of fiscal year 2022 the markets have been extremely unstable do to the Russian invasion of Ukraine. Oil royalties dropped 42.8% percent because the prices decreased significantly during COVID-19. The Navajo Revitalization projects revenue increased 59.7% because the Chapters initiated more projects during the year. Other income increased substantially because of a large insurance deposit received by the Blue Mountain Apartments for roof damage caused by a hail storm. Rental income has stayed relatively consistent.

**Deductions (Expenses)**

Expenses for the Trust Fund increased 14.0% for fiscal year 2021. The fund expended over \$1 million in materials and labor for Chapter projects which is an increase of 5.3%. Higher education financial aid awards decreased this year by 25.8%. COVID-19 and online classes were a contributory factor to this decline since many homes on the reservation lack the technology and internet service to enable students to participate remotely. NRF funded projects increased 58.1% in fiscal year 2021. This increase is a direct result of the Navajo Chapters being

able to gather after the Navajo Nation was shut down with the high threat of COVID-19. Chapter projects directly correlate with the Chapter's involvement. Because of the threat, the Navajo Nation leadership shut down most all Navajo entities including the Chapters. Fortunately, during 2021 COVID cases rescinded and the Navajo leadership authorized the reopening of the nation. Operating and maintenance expenses increased 84.6% because of an extensive roofing project on the Blanding Government Services building and twenty units on the Blue Mountain Apartments. Administrative expenses decreased 10.9% for the year largely in part to travel restrictions and virtual meeting resulting from COVID-19

### **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 2021. Oil prices started increasing in January 2021 and have nearly tripled with the beginning of the Russian Ukraine invasion. Interest rates on the PTIF investments have decreased for most of 2021 due to COVID-19 but are predicted to increase modestly to help curb recent inflation. Other unforeseen world events such as the Russian invasion of Ukraine have created an unstable world economy that has exponentially increased oil prices. The bond and equity fund markets had solid returns for 2021; however they too could be volatile in the upcoming year with world and 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 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**  
**Statement of Fiduciary Net Position**  
**June 30, 2021**

<b>ASSETS</b>	
Cash (Notes 1 and 2)	\$ 376,850
Investments: (Notes 1 and 2)	
Public Treasurer's Investment Fund	44,978,385
Bond Mutual Fund	24,899,950
Equity Mutual Fund	9,448,156
Total Investments	<u>\$ 79,326,491</u>
Due from State Agencies (Note 1)	897,677
Other Assets	7,929
Capital Assets: (Notes 1 and 3)	
Land	736,555
Buildings	12,343,937
Infrastructure	235,967
Equipment	49,127
Vehicles	294,366
Software	11,057
Less Accumulated Depreciation	<u>(7,019,411)</u>
Total Capital Assets	<u>\$ 6,651,598</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 87,260,545</u></u>
 <b>LIABILITIES</b>	
Accounts Payable	\$ 94,430
Accrued Payroll	46,016
Due to State Agencies (Note 1)	173,352
Mortgage Loans Payable (Note 5)	294,230
<b>TOTAL LIABILITIES</b>	<u><u>\$ 608,028</u></u>
 <b>NET POSITION</b>	
Restricted for Trust Beneficiaries	<u><u>\$ 86,652,517</u></u>

*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, 2021**

**ADDITIONS**

Investment Income (Notes 1 and 2)	\$ 3,586,461
Oil Royalties	1,791,877
Navajo Revitalization Fund Reimbursements	1,098,778
Rental Income (Note 4)	510,084
Other Income	101,439
<b>TOTAL ADDITIONS</b>	<u>\$ 7,088,639</u>

**DEDUCTIONS**

Chapter Projects	1,025,656
Educational Assistance	383,138
Navajo Revitalization Fund Projects	1,098,778
Depreciation Expense	371,911
Operating, Maintenance and Other Expenses	664,700
Administrative and General Expenses	755,648
<b>TOTAL DEDUCTIONS</b>	<u>\$ 4,299,831</u>

<b>Change in Net Position</b>	<u>\$ 2,788,808</u>
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<b>Net Position - Beginning</b>	<u>83,863,709</u>
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<b>Net Position - Ending</b>	<u><u>\$ 86,652,517</u></u>
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*The accompanying notes are an integral part of these financial statements.*

**Notes to the Financial Statements**

For the Year Ended June 30, 2021

**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 *Annual Comprehensive 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 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 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.

**Notes to the Financial Statements**

For the Year Ended June 30, 2021

**Cash and Investments**

The 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

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.

**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.

**Due from/to State Agencies**

Due from/to State agencies represents amounts receivable from or payable to State agencies. These amounts consist mainly of amounts receivable from the Navajo Revitalization Fund and amounts payable to the State Department of Administrative Services for printing, telecommunications, motor pool services, and for various construction projects.

**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



**Notes to the Financial Statements**

For the Year Ended June 30, 2021

liability related to these eligible employees. Management estimates the UNTF's portion of the State's June 30, 2021 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, 2021, UNTF's bank balance of \$376,850 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*

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, 2021, the UNTF had the following recurring fair value measurements.

**Utah Navajo Trust Fund**  
**Notes to the Financial Statements**  
For the Year Ended June 30, 2021

Investment Type	Fair Value	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
<b>Debt Securities</b>				
Bond Mutual Fund	\$ 24,899,950	24,899,950	—	—
State of Utah Public Treasurer's Investment fund	44,978,385	—	44,978,385	—
<b>Total Debt Securities</b>	<b>69,878,335</b>	<b>24,899,950</b>	<b>44,978,385</b>	<b>—</b>
<b>Equity Securities</b>				
Equity Mutual Fund	9,448,156	9,448,156	—	—
Total Investments	\$ 79,326,491	\$ 34,348,106	\$ 44,978,385	\$ —

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. The Utah Public Treasurer's Investment Fund investments classified as Level 2 are valued by applying the June 30, 2021 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.

At June 30, 2021, the UNTF's investments had the following maturities:

Investment Type	Fair Value	Investment Maturities (in years)			
		Less Than 1	1-5	6-10	More Than 10
Bond Mutual Fund	\$ 24,899,950	\$ —	\$ 10,192,136	\$ 14,707,814	\$ —
State of Utah Public Treasurer's Investment Fund	44,978,385	44,978,385	—	—	—
<b>Total</b>	<b>\$ 69,878,335</b>	<b>\$ 44,978,385</b>	<b>\$ 10,192,136</b>	<b>\$ 14,707,814</b>	<b>\$ —</b>

*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 the Financial Statements**  
For the Year Ended June 30, 2021

At June 30, 2021, the UNTF's investments had the following quality ratings:

Investment Type	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
Bond Mutual Fund	\$ 24,899,950	\$ —	\$ —	\$ —	\$24,899,950
State of Utah Public Treasurers' Investment Fund	44,978,385	—	—	—	44,978,385
<b>Total</b>	<b>\$ 69,878,335</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$69,878,335</b>

*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.

**3. Capital Assets**

The changes in capital assets owned by the UNTF for the year ended June 30, 2021, are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Capital Assets Not Depreciated:</b>				
Land	\$ 736,555	\$ —	\$ —	\$ 736,555
<b>Total Capital Assets Not Depreciated</b>	<b>736,555</b>	<b>—</b>	<b>—</b>	<b>736,555</b>
<b>Capital Assets Depreciated:</b>				
Buildings	12,343,937	—	—	12,343,937
Infrastructure	235,967	—	—	235,967
Machinery and Equipment	90,854	—	(41,727)	49,127
Vehicles	294,366	—	—	294,366
Software	11,057	—	—	11,057
<b>Total Capital Assets Depreciated</b>	<b>12,976,181</b>	<b>—</b>	<b>(41,727)</b>	<b>12,934,454</b>
<b>Less Accumulated Depreciation for:</b>				
Buildings	(6,353,645)	(339,739)	—	(6,693,384)
Infrastructure	(13,765)	(7,828)	—	(21,593)
Machinery and Equipment	(83,853)	(2,909)	41,727	(45,035)
Vehicles	(232,876)	(15,466)	—	(248,342)
Software	(9,021)	(2,036)	—	(11,057)
<b>Total Accumulated Depreciation</b>	<b>(6,693,160)</b>	<b>(367,978)</b>	<b>41,727</b>	<b>(7,019,411)</b>
<b>Total Capital Assets Depreciated, Net</b>	<b>6,283,021</b>	<b>(367,978)</b>	<b>—</b>	<b>5,915,043</b>
<b>Total Capital Assets, Net</b>	<b>\$ 7,019,576</b>	<b>\$ (367,978)</b>	<b>\$ —</b>	<b>\$ 6,651,598</b>

Utah Navajo Trust Fund  
**Notes to the Financial Statements**  
For the Year Ended June 30, 2021

**4. Operating Leases**

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

<b>Leased Buildings</b>	
Historical cost of leased property	\$ 9,438,081
Less: accumulated depreciation	(4,420,650)
Carrying Value	\$ 5,017,431
Lease Period	July 1997 thru June 2028
Lessees	Utah Dept of Human Services, Dept of Workforce Services, Court Administrator, Dept of Public Safety and Utah Navajo Health Systems, Inc.

<b>Future Minimum Lease Payments:</b>	<b>Amount</b>
Fiscal Year 2022	\$ 388,904
Fiscal Year 2023	225,488
Fiscal Year 2024	225,488
Fiscal Year 2025	75,860
Fiscal Year 2026	65,000
Fiscal Year 2027 - 2028	130,000
<b>Total</b>	<b>\$ 1,110,740</b>

In addition to the above lease, the 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.

## Notes to the Financial Statements

For the Year Ended June 30, 2021

At December 31, 2021, 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	\$ 204,240
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	89,990
<b>Total Mortgage Loans Payable</b>	<b>\$ 294,230</b>

Maturities of the mortgage payable are as follows:

As of December 31

2022	19,765
2023	19,765
2024	19,765
2025	19,765
2026	19,765
2027-2031	98,825
2032	96,580
<b>Total</b>	<b>\$ 294,230</b>

## 6. Commitments

As of June 30, 2021, the UNTF had outstanding commitments to Utah Chapters for projects of approximately \$2,376,876.

## 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. Subsequent Events

Investments are reported at fair value as of June 30, 2021. Subsequent to this date, the financial markets experienced significant fluctuation due to world events. As of the date of this report, it is difficult to determine the ultimate affect these world events may have on the investments being held.

## 10. 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.

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 receivable to the UNTF. There is still \$36,000 remaining against the contingency commitment as of June 30, 2021.

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



*(Schedules on next page)*



Utah Navajo Trust Fund  
**Notes to the Financial Statements**  
For the Year Ended June 30, 2021

**Blue Mountain Diné Associates, LLC**  
**Condensed Balance Sheet**  
**December 31, 2020**

<b>Assets</b>	<b>Total</b>	<b>Eliminations</b>	<b>Blended Total</b>
Current Assets	\$ 170,086	\$ (36,000)	\$ 134,086
Capital Assets	357,007	—	357,007
<b>Total Assets</b>	<b>\$ 527,093</b>	<b>\$ (36,000)</b>	<b>\$ 491,093</b>
<b>Liabilities</b>			
Current Liabilities	27,501	—	27,501
Long-term Liabilities	330,230	(36,000)	294,230
<b>Total Liabilities</b>	<b>\$ 357,731</b>	<b>\$ (36,000)</b>	<b>\$ 321,731</b>
<b>Members' Equity</b>	<b>\$ 169,362</b>	<b>\$ —</b>	<b>\$ 169,362</b>

**Condensed Statement of Operations**  
**For Year Ended December 31, 2020**

<b>Revenues</b>	\$ 190,903
<b>Expenses</b>	
Operating, Maintenance & Other	111,743
Depreciation	52,869
<b>Total Expenses</b>	<b>\$ 164,612</b>
<b>Operating Loss</b>	<b>\$ 26,291</b>
<b>Members' Equity Beginning</b>	143,071
<b>Members' Equity Ending</b>	<b>\$ 169,362</b>

**Condensed Statement of Cash Flows**  
**For Year Ended December 31, 2020**

Cash Flows from Operations	\$ 63,791
Cash Flows Provided (Used) by Investing	—
Net Cash Provided (Used) by Financing Activities	(19,765)
Net Increase (Decrease) in Cash	<b>\$ 44,026</b>
Cash Beginning of Period	118,130
Cash End of Period	<b>\$ 162,156</b>



OFFICE OF THE  
**STATE AUDITOR**

## Independent 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, in accordance with the 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, the financial statements of the Utah Navajo Trust Fund (UNTF), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise UNTF's financial statements, and have issued our report thereon dated April 7, 2022.

### **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. 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 may exist that have not been identified.

### **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

April 7, 2022