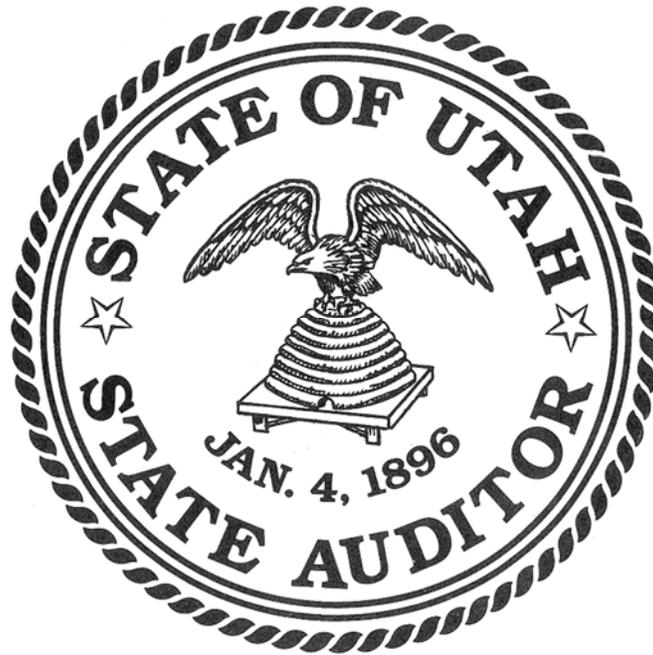


UTAH NAVAJO TRUST FUND

Annual Financial Report
For the Year Ended June 30, 2017

Report No. 17-38



OFFICE OF THE
STATE AUDITOR

UTAH NAVAJO TRUST FUND

Annual Financial Report
For the Year Ended June 30, 2017

Report No. 17-38

AUDIT LEADERSHIP:

John Dougall, State Auditor
Bertha Lui, CPA, Senior Audit Manager
Chantel Wixon, Audit Senior

UTAH NAVAJO TRUST FUND

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2017

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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, 2017, 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, 2017, 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, 2017, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 5 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 April 10, 2018 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
April 10, 2018

UTAH NAVAJO TRUST FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017

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, 2017. It is intended to be an introduction to the fund's financial statements.

Highlights

The net position of the UNTF increased \$1.73 million, or 2.5%, for the fiscal year due to increased market interest rates, the timing of payments and investing of cash, and the results of operations. Other highlights for the year include an increase in Chapter Projects deductions, resulting from concentrated efforts to complete prior projects and increased spending on new projects.

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 the Notes to 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 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

Net Position

The condensed statements on the following page summarize the changes in the UNTF's financial statements between fiscal years 2017 and 2016. As shown on the Condensed Statement of Net Position, the fund's net position increased by \$1.73 million or 2.5% during the fiscal year. The largest asset for the fund is the investments. Investments account for 87% of the total net position

UTAH NAVAJO TRUST FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017

and are held in the Public Treasurers' Investment Fund (PTIF) and a Vanguard Bond Fund. The increase in liabilities for 2017 is the result of a large Chapter Project completed in fiscal year 2017 but not paid for until the following period.

Additions (Revenues)

This year the UNTF received 54.4% of its revenue from oil royalties, 14.6% from investment income and 8.6% from rental income. Investment income increased 77.1% because of an upturn in market interest rates and diversification in investment types. Oil royalties for fiscal year 2017 decreased by 9.4% compared to fiscal year 2016 because of oil prices and production.

Deductions (Expenses)

The UNTF expended \$769,290 in materials and labor for chapter projects for the fiscal year which is an increase of 164% compared to fiscal year 2016. This increase is a result of a concentrated effort from the UNTF to complete the remaining projects that were approved prior to May 5, 2008 by both the former Diné Advisory Committee and the former Board of Trustees. Additionally chapters have begun utilizing their annual UNTF allotments.

The UNTF awarded \$524,691 for educational assistance during the fiscal year which is an increase of 7.3% over the prior year. The increase in scholarship amounts is a direct result of student enrollment and scholarship applications. The fund offers a maximum of \$2,900 per student per semester for qualified beneficiary students.

Reduced spending in several categories has helped lower the administrative expenses in 2017 by 10.3%. General operating expenses include technical construction oversight, scholarship administration, financial and accounting services, as well as building maintenance and depreciation.

Condensed Statement of Fiduciary Net Position				
	2017	2016	Change	Percentage
Assets				
Cash	\$ 1,499,625	\$ 1,873,189	\$ (373,564)	-19.9%
Investments:				
Public Treasurers' Investment Fund	59,566,683	61,070,998	(1,504,315)	-2.5%
Bond Mutual Fund	4,065,221	-	4,065,221	100.0%
Loans Receivable	36,000	47,195	(11,195)	-23.7%
Other Assets-Blue Mtn Diné Apts	255,275	100,903	154,372	153.0%
Due from other State Agencies	623,932	638,050	(14,118)	-2.2%
Capital Assets, Net	6,860,614	7,200,718	(340,104)	-4.7%
Total Assets	72,907,350	70,931,053	1,976,297	2.8%
Total Liabilities	590,172	343,865	246,307	71.6%
Total Net Position	\$ 72,317,178	\$ 70,587,188	\$ 1,729,990	2.5%

UTAH NAVAJO TRUST FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017

Condensed Statement of Changes in Fiduciary Net Position				
	2017	2016	Change	Percentage
Additions (Revenues)				
Oil Royalties	\$ 2,843,969	\$ 3,138,723	\$ (294,754)	-9.4%
Investment Income	761,101	429,754	331,347	77.1%
NRF Reimbursements	1,015,918	1,302,050	(286,132)	-22.0%
Rental Income	449,153	412,956	36,197	8.8%
Contribution Income/ Other	154,371	403,431	(249,060)	-61.7%
Total Additions (Revenues)	5,224,512	5,686,914	(462,402)	-8.1%
Deductions (Expenses)				
Chapter Projects	769,290	291,375	477,915	164.0%
Educational Assistance	524,691	488,893	35,798	7.3%
NRF Projects	890,010	1,302,050	(412,040)	-31.6%
Depreciation	340,104	337,390	2,714	0.8%
Administrative	970,427	1,081,821	(111,394)	-10.3%
Total Deductions (Expenses)	3,494,522	3,501,529	(7,007)	-0.2%
Change in Net Position	1,729,990	\$ 2,185,385	\$ (455,395)	-20.8%
Beginning Net Position	70,587,188			
Ending Net Position	\$ 72,317,178			

Financial Outlook

Oil prices and production significantly affect the UNTF's financial future and both are difficult to predict. Production from the Aneth Extension Oil Field has remained relatively stable; however in October 2014, the market price of crude oil significantly declined and remained low through 2017 which affected the fund's royalties revenue. Returns on fund investments significantly increased in 2017, while rental income has remained stable.

Contacting UNTF Management

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

Utah Navajo Trust Fund

Statement of Fiduciary Net Position

June 30, 2017

Assets

Cash (Notes 1 and 2)	\$ 1,499,625
Investments: (Notes 1 and 2)	
Public Treasurers' Investment Fund	59,566,683
Bond Mutual Fund	4,065,221
Loans Receivables (Blue Mtn Diné Apts) (Note 5)	36,000
Other Assets (Blue Mtn Diné LLC) (Note 1)	255,275
Due from other State Agencies (Note 1)	623,932
Capital Assets: (Notes 1 and 3)	
Land	270,827
Buildings and Improvements	10,715,135
Less Accumulated Depreciation	(4,222,527)
Equipment	84,556
Less Accumulated Depreciation	(68,983)
Vehicles	224,950
Less Accumulated Depreciation	(152,018)
Software	11,058
Less Accumulated Depreciation	(2,384)
Total Capital Assets	<u>6,860,614</u>
Total Assets	<u>72,907,350</u>

Liabilities

Accrued Expenditures	432
Accounts Payable	92,955
Accrued Payroll	27,202
Due to Other State Agencies (Note 1)	<u>469,583</u>
Total Liabilities	<u>590,172</u>

Net Position

Net Investment in Capital Assets	6,860,614
Restricted for Trust Beneficiaries	<u>65,456,564</u>
Restricted for Trust Beneficiaries	<u>\$ 72,317,178</u>

The accompanying notes are in integral part of these financial statements.

Utah Navajo Trust Fund

Statement of Changes in Fiduciary Net Position

For Fiscal Year Ended June 30, 2017

Additions

Investment Income (Notes 1 and 2)	\$ 761,101
Oil Royalties	2,843,969
Navajo Revitalization Fund Reimbursements	1,015,918
Rental Income (Note 4)	449,153
Misc. Income	154,371
Total Additions	<u>5,224,512</u>

Deductions

Chapter Projects	769,290
Scholarships	524,691
Navajo Revitalization Fund Projects	890,010
Depreciation	340,104
Administrative and General Expenses	970,427
Total Deductions	<u>3,494,522</u>

Change in Net Position	1,729,990
Net Position – Beginning	<u>70,587,188</u>
Net Position – Ending	<u>\$ 72,317,178</u>

The accompanying notes are in integral part of these financial statements.

UTAH NAVAJO TRUST FUND

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

1. Organization and Summary of Significant Accounting Policies

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

The UNTF is the sole 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. The UNTF equity in the LLC is \$255,275, as shown in the Statement of Fiduciary Net Position.

As the managing member, the UNTF oversees the day-to-day operations of the housing complex and guarantees previous contingency commitment amounts (See Note 5). Blue Mountain Diné Associates, LLC issues its own separate audited financial statements. These financial statements can be obtained from the Utah Navajo Trust Fund, 151 East 500 North, Blanding, Utah 84511.

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.

UTAH NAVAJO TRUST FUND

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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 mutual funds. The change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

Capital Assets – Land, buildings and improvements, and equipment are reported as capital assets, with related accumulated depreciation as applicable, in the Statement of Fiduciary Net Position. Capital assets are defined by State of Utah policy as assets that cost \$5,000 or more when acquired and have an estimated useful life greater than one year. Purchased or constructed capital assets are recorded at cost or at estimated historical cost where historical cost is not available. Donated or otherwise acquired capital assets are valued at their estimated fair value at the date of acquisition. Buildings, equipment, and other depreciable capital assets are depreciated using the straight line method over the following estimated useful lives:

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

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

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

Navajo Revitalization Fund Projects and Reimbursements – The UNTF frequently processes transactions for the NRF related to various construction projects benefiting the Utah Navajos in San Juan County. The UNTF processes these transactions and then receives reimbursement from the NRF. The UNTF also provides other administrative services related to NRF Projects such as reviewing budgets and project proposals, providing construction labor, making site visits, attending NRF related meetings and enforcing State of Utah procurement policies.

Pensions – The UNTF is paying the salaries and benefits, including contributions to the State’s pension systems (Systems), on behalf of eligible State of Utah employees responsible for managing the UNTF. As a result, the UNTF may be liable for an apportioned amount of the System’s net pension liability related to these eligible employees. Management estimates the

UTAH NAVAJO TRUST FUND

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

UNTF's portion of the State's June 30, 2017 unfunded pension liability to be less than \$200,000 and considers the estimated pension liability and other related activity immaterial to the UNTF. As a result, pension-related activity has not been reflected in these financial statements other than to record pension contributions as 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, 2017, UNTF's bank balance of \$1,499,625 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) with the primary goal of providing for the stability, income, and growth of the principal. Currently all of the UNTF's money is being held in bank deposits, the Public Treasurers' Investment Fund (PTIF), and a bond mutual fund.

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.

UTAH NAVAJO TRUST FUND

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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, 2017, the UNTF had the following recurring fair value measurements.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Bond Mutual Funds	\$ 4,065,221	\$4,065,221	-	-
State of Utah Public Treasurers' Investment Fund	<u>\$59,566,683</u>	-	\$59,566,683	-
Total	<u>\$63,631,904</u>			

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. The PTIF classified in Level 2 was valued by applying the June 30, 2017 fair value factor, as calculated by the Utah State Treasurer, to the UNTF's June 30 balance in the PTIF.

Interest Rate Risk

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

UTAH NAVAJO TRUST FUND

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

At June 30, 2017, 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 Funds	\$ 4,065,221	-	\$4,065,221	-	-
State of Utah Public Treasurers' Investment Fund	<u>\$59,566,683</u>	\$59,566,683	-	-	-
Total	<u>\$63,631,904</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, 2017, the UNTF's investments had the following quality ratings:

Investment Type	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
Bond Mutual Funds	\$ 4,065,221	-	-	-	\$4,065,221
State of Utah Public Treasurers' Investment Fund	<u>\$59,566,683</u>	-	-	-	\$59,566,683
Total	<u>\$63,631,904</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, 2017

3. Capital Assets

The changes in capital assets owned by the UNTF for the year ended June 30, 2017, are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets Not Being Depreciated:				
Land	\$ 270,827	\$ -	\$ -	\$ 270,827
Total Capital Assets Not Being Depreciated	<u>270,827</u>	<u>-</u>	<u>-</u>	<u>270,827</u>
Capital Assets Being Depreciated:				
Buildings	10,715,135	-	-	10,715,135
Equipment	84,556	-	-	84,556
Vehicles	224,950	-	-	224,950
Software	11,058	-	-	11,058
Total Capital Assets Being Depreciated	<u>11,035,699</u>	<u>-</u>	<u>-</u>	<u>11,035,699</u>
Less Accumulated Depreciation For:				
Buildings	(3,935,657)	(286,870)	-	(4,222,527)
Equipment	(62,886)	(6,097)	-	(68,983)
Vehicles	(107,090)	(44,928)	-	(152,018)
Software	(175)	(2,209)	-	(2,384)
Total Accumulated Depreciation	<u>(4,105,808)</u>	<u>(340,104)</u>	<u>-</u>	<u>(4,445,912)</u>
Total Capital Assets Being Depreciated, Net	<u>6,929,891</u>	<u>(340,104)</u>	<u>-</u>	<u>6,589,787</u>
Total Capital Assets, Net	<u>\$ 7,200,718</u>	<u>\$ (340,104)</u>	<u>\$ -</u>	<u>\$ 6,860,614</u>

4. Operating Leases

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

Government Service Center – Blanding:

Historical cost of leased property	\$ 2,958,388
Less: accumulated depreciation	<u>(2,001,262)</u>
Carrying Value	<u>\$ 957,126</u>

Lease period - Varies from 5 to 7 years, with longest lease terminating in June 2024.

Lessees - Utah Department of Human Services, Department of Workforce Services, Court Administrator, Department of Public Safety and Office of Rehabilitation.

UTAH NAVAJO TRUST FUND

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

<u>Future Minimum Lease Payments:</u>	<u>Amounts for Related Dates</u>
Fiscal Year 2018	\$ 314,736
Fiscal Year 2019	\$ 314,736
Fiscal Year 2020	\$ 314,736
Fiscal Year 2021	\$ 314,736
Fiscal Year 2022	<u>\$ 314,736</u>
Total	\$ 1,573,680

In addition to the above leases, 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.

5. Related Party Transactions

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. As described in Note 1, the UNTF is the managing member of the LLC. In January 2005, this contingency commitment expired. Based on the terms of the commitment, the unpaid portion of the amount drawn down is considered a receivable to the UNTF. There is still \$36,000 remaining against the contingency commitment as of June 30, 2017.

In March 2004, the UNTF paid \$118,602 to satisfy Blue Mountain Diné Associates, LLC's loan due to Zion's Bank, and then issued a loan to the LLC for \$118,602 at a 4 3/8% interest rate to be paid in equal monthly payments of \$995 through April 2017. As of April 2017, the loan has been paid in full.

6. Commitments

As of June 30, 2017, UNTF had outstanding commitments to Utah Chapters for projects of approximately \$1,456,819.

UTAH NAVAJO TRUST FUND

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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