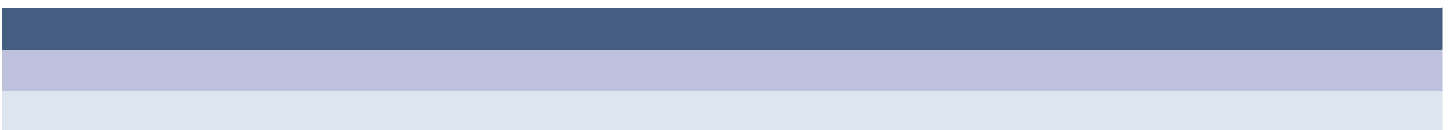


# Utah Navajo Trust Fund

## Annual Financial Report and Government Auditing Standards Report For the Year Ended June 30, 2023



## 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, 2023 are as follows:



Marlo Oaks  
*Board Chair*  
*State Treasurer*



Van Christensen  
*Board Member*  
*Finance Division Director*



Evan Curtis  
*Board Member*  
*Governor's Office of*  
*Planning and Budget*

### Diné Advisory Committee:



Melvin Captain Jr.  
*Aneth, Chair*

Aretta Begay  
*Teecnospos, Vice Chair*  
Rebecca Benally  
*Red Mesa*  
Stanley Nez  
*Blue Mountain Diné Community*  
Jamie Harvey  
*Aneth*  
Ana Mae Jim  
*NaatsisAan Chapter*

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

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

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OFFICE OF THE  
STATE AUDITOR

# Independent Auditor's Report

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

## Report on the Audit of the Financial Statements

### Opinion

We have audited the accompanying financial statements of the Utah Navajo Trust Fund (UNTF) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise UNTF's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the UNTF, as of June 30, 2023, 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.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the UNTF and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Emphasis of Matter

As discussed in Note 1, the financial statements present only the UNTF and do not purport to, and do not, present fairly the financial position of the State of Utah as of June 30, 2023, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

In addition, as discussed in Note 1, the accounting and reporting policies of the UNTF follow the accrual basis of accounting, with the exception of oil royalty revenues, which are accounted for on the cash basis of accounting. The cash basis of accounting is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the UNTF's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 UNTF's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of

significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the UNTF's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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**

Management is responsible for the other information included in the annual report. The other information comprises the section disclosing the UNTF Board of Trustees, the Dine' Advisory Committee, the UNTF Administrator, and the statement preparer but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2024 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, and grant

agreements and other matters. The purpose of that report is solely 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 the 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 the UNTF's internal control over financial reporting and compliance.

*Office of the State Auditor*

Office of the State Auditor

Salt Lake City, Utah

March 25, 2024

## **Management's Discussion and Analysis**

### **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, 2023. It is intended to be an introduction to the fund's financial statements.

### **Highlights**

For fiscal year 2023 the Trust Fund's net position increased \$4.652 million or 5.6% due to an increase in royalty revenue and investment gains. Royalty income increased \$415,339 or 11.6% as a result of higher oil prices and increased sales. Investment income increased \$7.619 million over last year or 188.8%. This gain was a result of a stronger securities market. Chapter Projects expenditures increased 9.2% or \$132,068 which was utilized to construct new housing, power lines, house wiring upgrades and Chapter facilities.

### **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.



**Management's Discussion and Analysis**

For the Year Ended June 30, 2023

**Financial Analysis**

The condensed statements below summarize the changes in the UNTF's financial statements between fiscal years 2023 and 2022.

**Condensed Statement of Fiduciary Net Position**

	2023	2022	Change	Percentage
<b>Assets</b>				
Current & Other Assets	\$ 82,601,083	\$ 77,781,551	\$ 4,819,532	6.2%
Capital Assets	6,118,947	6,371,409	\$ (252,462)	(4.0)%
<b>Total Assets</b>	<b>\$ 88,720,030</b>	<b>\$ 84,152,960</b>	<b>\$ 4,567,070</b>	<b>5.4%</b>
<b>Liabilities</b>				
Current Liabilities	\$ 178,606	\$ 182,453	\$ (3,847)	(2.1)%
Long-term Liabilities	274,463	294,228	(19,765)	(6.7)%
<b>Total Liabilities</b>	<b>\$ 453,069</b>	<b>\$ 476,681</b>	<b>\$ (23,612)</b>	<b>(5.0)%</b>
<b>Deferred Inflows of Resources</b>	<b>\$ 316,919</b>	<b>\$ 378,433</b>	<b>\$ (61,514)</b>	<b>(16.3)%</b>
<b>Total Net Position</b>	<b>\$ 87,950,042</b>	<b>\$ 83,297,846</b>	<b>\$ 4,652,196</b>	<b>5.6%</b>

**Net Position**

As shown on the Condensed Statement of Fiduciary Net Position, the fund's net position increased \$4.652 million or 5.6% as the fund's investments and oil royalties increased.



**Management's Discussion and Analysis**

For the Year Ended June 30, 2023

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

	2023	2022	Change	Percentage
<b>Additions (Revenues)</b>				
Investment Income (Loss)	\$ 3,583,403	\$ (4,035,448)	\$ 7,618,851	188.8%
Oil Royalties	3,990,577	3,575,238	415,339	11.6%
NRF Reimbursements	726,120	902,287	(176,167)	(19.5)%
Rental Income	510,363	507,605	2,758	0.5%
Other Income	2,385	86,174	(83,789)	(97.2)%
<b>Total Additions (Revenues)</b>	<b>\$ 8,812,848</b>	<b>\$ 1,035,856</b>	<b>\$ 7,776,992</b>	<b>750.8%</b>
<b>Deductions (Expenses)</b>				
Chapter Projects	\$ 1,564,634	\$ 1,432,566	\$ 132,068	9.2%
Educational Assistance	331,241	443,039	(111,798)	(25.2)%
NRF Projects	688,918	966,460	(277,542)	(28.7)%
Depreciation	410,406	364,673	\$ 45,733	12.5%
Operating & Maintenance	423,841	405,565	18,276	4.5%
Administrative Expenses	741,612	778,224	(36,612)	(4.7)%
<b>Total Deductions (Expenses)</b>	<b>\$ 4,160,652</b>	<b>\$ 4,390,527</b>	<b>\$ (229,875)</b>	<b>(5.2)%</b>
<b>Change in Net Position</b>	<b>\$ 4,652,196</b>	<b>\$ (3,354,671)</b>	<b>\$ 8,006,867</b>	<b>238.7%</b>
<b>Beginning Net Position</b>	<b>83,297,846</b>	<b>86,652,517</b>		
<b>Ending Net Position</b>	<b>\$ 87,950,042</b>	<b>\$ 83,297,846</b>		

**Additions (Revenues)**

Overall, revenues for the Trust Fund increased 750.8% because of a large gain in long term investments due to an increase in the economy and securities markets. This year the fund received 45.3% from oil royalties, 8.2% from the Navajo Revitalization Fund (NRF) reimbursements, 5.8% from rental income and 40.7% from investment income. Oil royalties improved 11.6% because oil prices and/or sales increased. The NRF projects revenue decreased 19.5% because some of the Navajo Chapters have been utilizing more of the Trust Fund's money or choosing not to spend their allocations. Other income decreased 97.2% because in the prior year land was sold to the Utah Food Bank in Montezuma Creek, Utah for the construction of a food pantry. Rental income has stayed relatively consistent.

**Deductions (Expenses)**

Expenses for the Trust Fund decreased 5.2% in fiscal year 2023. The fund expended \$1.565 million in materials and labor for Chapter projects, which is an increase of 9.2%. Chapter projects increased because the Chapters have been more progressive in submitting project proposals and there has been bigger expenditures because of larger, more costly projects such as power lines and Chapter facilities. Higher education financial aid awards decreased this year by 25.2% because more money was available and utilized from the Utah State University

**Management's Discussion and Analysis**

For the Year Ended June 30, 2023

Endowment Fund and there was a slight decrease in student enrollment. The Navajo Revitalization Fund (NRF) expenses declined 28.7% in fiscal year 2023. This reduction is a result of some Chapter's decision not to spend their annual allocation or utilize UNTF funds. Operating, maintenance and other expenses increased 4.5% because of the purchase of two new construction vehicles.

**Financial Outlook**

Oil prices, production, sales and interest rates significantly affect the financial future of the fund and they are equally difficult to predict. Production from the Aneth Extension Oil Field has remained relatively stable in 2023. Oil prices have decreased approximately 21% during the first quarter of the fiscal year and has remained relatively stable thereafter. Interest rates on the PTIF investment returns increased because the Federal Reserve has increased the rates to help combat inflation. The long-term investments or private debt markets have been less volatile as compared to the prior fiscal year. 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, 2023**

**ASSETS**

Cash (Notes 1 and 2)	\$	151,490
Pooled Cash and Investments (Note 1)		41,672,987
Investments: (Notes 1 and 2)		
Bond Mutual Fund		21,818,832
Equity Mutual Fund		5,205,141
Private Debt		3,549,430
Private Equity	\$	601,213
Total Investments	\$	<u>31,174,616</u>
Restricted Cash		5,184,867
Accounts Receivable		4,000,000
Leases Receivable (Note 4)		316,919
Due from State Agencies (Note 1)		90,696
Other Assets		9,508
Capital Assets: (Notes 1 and 3)		
Land		735,562
Buildings		12,343,937
Infrastructure		235,967
Equipment		55,771
Vehicles		531,143
Software		11,057
Less Accumulated Depreciation		<u>(7,794,490)</u>
Total Capital Assets	\$	<u>6,118,947</u>
<b>TOTAL ASSETS</b>	\$	<u><u>88,720,030</u></u>

**LIABILITIES**

Accounts Payable	\$	49,509
Accrued Payroll		72,350
Due to State Agencies (Note 1)		56,747
Mortgage Loans Payable (Note 6)		274,463
<b>TOTAL LIABILITIES</b>	\$	<u><u>453,069</u></u>

**DEFERRED INFLOW OF RESOURCES**

Deferred Inflows of Resources Relating to Leases (Note 4)	\$	316,919
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**NET POSITION**

Restricted for Trust Beneficiaries	\$	<u><u>87,950,042</u></u>
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*The accompanying notes are an integral part of these financial statements.*

**Utah Navajo Trust Fund**  
**Statement of Changes In Fiduciary Net Position**  
**For the Fiscal Year Ended June 30, 2023**

**ADDITIONS**

Investment Income/(Loss) (Notes 1 and 2)	\$ 3,583,403
Oil Royalties	3,990,577
Navajo Revitalization Fund Reimbursements	726,120
Rental Income (Note 4)	510,363
Other Income	2,385
<b>TOTAL ADDITIONS</b>	<b>\$ 8,812,848</b>

**DEDUCTIONS**

Chapter Projects	1,564,634
Educational Assistance	331,241
Navajo Revitalization Fund Projects	688,918
Depreciation Expense	410,406
Operating, Maintenance and Other Expenses	423,841
Administrative and General Expenses	741,612
<b>TOTAL DEDUCTIONS</b>	<b>\$ 4,160,652</b>

<b>Change in Net Position</b>	<b>\$ 4,652,196</b>
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<b>Net Position - Beginning</b>	<b>83,297,846</b>
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<b>Net Position - Ending</b>	<b>\$ 87,950,042</b>
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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, 2023

**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 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 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 10)

**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.

**Notes to the Financial Statements**

For the Year Ended June 30, 2023

**Implementation of New Accounting Standards**

During fiscal year 2023, the following GASB statements were also implemented and had little or no effect on UNTF's financial activities:

- **GASB Statement No. 91**, *Conduit Debt Obligations*
- **GASB Statement No. 94**, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*
- **GASB Statement No. 96**, *Subscription-Based Information Technology Arrangements*
- **GASB Statement No. 99**, *Omnibus 2022*

**Pooled Cash and Investments**

All cash maintained by UNTF (excluding Blue Mountain) is deposited with the State Treasurer and presented as "Pooled Cash and Investments". All cash deposited with the State Treasurer by state entities, including UNTF, is pooled together in the Public Treasurer's Investment Fund (PTIF). Each contributing State fund's balance is treated as equity in the PTIF pool and functions as a demand deposit account from the perspective of UNTF. The State Treasurer invests the pooled cash in short-term securities and other investments that are readily convertible to cash without prior notice or penalty. UNTF considers Pooled Cash and Investments to be cash equivalents.

**Cash and Investments**

Blue Mountain's cash is maintained as bank deposits. Investments for UNTF are recorded at fair value and include bond and equity mutual funds, and investments in private debt and private equity. The change in fair value of investments is recognized as an increase or decrease to investment assets and investment income. Restricted cash represents cash held by the bank as trustee for unsettled investment transactions occurring on June 30, 2023.

**Accounts Receivable**

Accounts receivable represents unsettled investment transactions occurring on June 30, 2023.

**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:

**Notes to the Financial Statements**

For the Year Ended June 30, 2023

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

**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 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 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 Government Operations for printing, telecommunications, motor pool services, and for various construction projects.

**Deferred Inflows of Resources**

Deferred Inflows of Resources represents the Trust Fund's leases receivable revenue that applies to a future period, and so will not be recognized as an inflow of resources (revenue) until that time.

**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 or entitled to a net pension asset related to these eligible employees. Management estimates UNTF's portion of the State's June 30, 2023 net 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, 2023, none of UNTF's bank balances of \$151,490 were uninsured or uncollateralized.



**Notes to the Financial Statements**

For the Year Ended June 30, 2023

**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), bond and equity mutual funds, and investments in private debt and private equity.

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:

- *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, 2023, UNTF had the following recurring fair value measurements.



## Notes to the Financial Statements

For the Year Ended June 30, 2023

Investment Type	Fair Value	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
<b>Investments by Fair Value Level</b>				
<b>Debt Securities</b>				
Bond Mutual Fund	\$ 21,818,832	21,818,832	—	—
State of Utah Public Treasurers' Investment fund	41,672,987	—	41,672,987	—
<b>Total Debt Securities</b>	<b>63,491,819</b>	<b>21,818,832</b>	<b>41,672,987</b>	<b>—</b>
<b>Equity Securities</b>				
Equity Mutual Fund	5,205,141	5,205,141	—	—
<b>Total Investments by Fair Value Level</b>	<b>\$ 68,696,960</b>	<b>\$ 27,023,973</b>	<b>\$ 41,672,987</b>	<b>\$ —</b>
<b>Investments Measured at the Net Asset Value (NAV)</b>				
Private Debt	3,549,430			
Private Equity	601,213			
<b>Total Investments Measured at the Net Asset Value (NAV)</b>	<b>\$ 4,150,643</b>			
<b>Total Investments</b>	<b>\$ 72,847,603</b>			

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, 2023 fair value factor, as calculated by the Utah State Treasurer, to UNTF's June 30 ending balance in the Fund.

*Investments Measured at the Net Asset Value (NAV)*

Private Debt – The UNTF holds a portion of the State of Utah's investment in an investment grade private debt strategy. The fair values of the investments have been determined using the NAV per share (or its equivalent) of the fund's ownership interest in partners' capital. The investment grade private debt strategy invests primarily in debt securities issued by companies registered under the Investment Company Act and invests, acquires, owns, holds, manages, and disposes of certain private notes issued by closed end fund companies (CEFs) and business development company (BDCs). Approximately \$31.900 million of the State's investment in Private Debt of \$35.117 million is invested in a Cayman feeder fund utilizing a master-feeder structure and has a one-year hard lock-up and 50 percent level gate. After the one-year lock-up, redemptions requests are allowed semi-annually with 90 days written notice. Approximately \$3.250 million of the State's private debt consists of a co-investment opportunity that matures on March 31, 2024.

Private Equity – The UNTF holds a portion of the State of Utah's investment in private equity allocations. The fair values of the investments have been determined using the NAV per share (or its equivalent) of the fund's ownership interest in partners' capital. The private equity

## Notes to the Financial Statements

For the Year Ended June 30, 2023

allocation consists of two funds structured as limited partnerships whereby the fair values of the investments have been determined using the NAV per share (or its equivalent) of the fund's ownership interest in partners' capital. The strategy of the first fund involves seeking control-oriented investment opportunities, primarily in financial and information services, healthcare, and technology companies, while emphasizing companies that are data-rich and growth-focused. The second fund seeks opportunities to invest in companies at the seed-stage that focus on software beyond the screen, including B2B technology companies that utilize smart hardware or machine learning to solve problems, and companies transforming real-world physical problems into the domain of software.

*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, 2023, 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	\$ 21,818,832	\$ —	\$ 8,766,675	\$ 13,052,157	\$ —
State of Utah Public Treasurers' Investment Fund	41,672,987	41,672,987	—	—	—
<b>Total</b>	<b>\$ 63,491,819</b>	<b>\$ 41,672,987</b>	<b>\$ 8,766,675</b>	<b>\$ 13,052,157</b>	<b>\$ —</b>

*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, 2023, UNTF's investments had the following quality ratings:

Investment Type	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
Bond Mutual Fund	\$ 21,818,832	\$ —	\$ —	\$ —	\$21,818,832
State of Utah Public Treasurers' Investment Fund	41,672,987	—	—	—	41,672,987
<b>Total</b>	<b>\$ 63,491,819</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$63,491,819</b>

## Notes to the Financial Statements

For the Year Ended June 30, 2023

*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.

**3. Capital Assets**

The changes in capital assets owned by UNTF for the year ended June 30, 2023, are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Capital Assets Not Depreciated:</b>				
Land	\$ 735,562	\$ —	\$ —	\$ 735,562
<b>Total Capital Assets Not Depreciated</b>	<b>735,562</b>	<b>—</b>	<b>—</b>	<b>735,562</b>
<b>Capital Assets Depreciated:</b>				
Buildings	12,343,937	—	—	12,343,937
Infrastructure	235,967	—	—	235,967
Machinery and Equipment	49,127	6,644	—	55,771
Vehicles	379,844	151,299	—	531,143
Software	11,057	—	—	11,057
<b>Total Capital Assets Depreciated</b>	<b>13,019,932</b>	<b>157,943</b>	<b>—</b>	<b>13,177,875</b>
<b>Less Accumulated Depreciation for:</b>				
Buildings	(7,033,317)	(339,922)	—	(7,373,240)
Infrastructure	(29,458)	(7,866)	—	(37,324)
Machinery and Equipment	(46,295)	(1,460)	—	(47,755)
Vehicles	(263,958)	(61,156)	—	(325,114)
Software	(11,057)	—	—	(11,057)
<b>Total Accumulated Depreciation</b>	<b>(7,384,085)</b>	<b>(410,404)</b>	<b>—</b>	<b>(7,794,490)</b>
<b>Total Capital Assets Depreciated, Net</b>	<b>5,635,847</b>	<b>(252,461)</b>	<b>—</b>	<b>5,383,385</b>
<b>Total Capital Assets, Net</b>	<b>\$ 6,371,409</b>	<b>\$ (252,461)</b>	<b>\$ —</b>	<b>\$ 6,118,947</b>



**Notes to the Financial Statements**

For the Year Ended June 30, 2023

**4. Leases Receivable and Deferred Inflows of Resources**

The Utah Navajo Health System leases the Monument Valley Health and Dental Clinic Building from UNTF for \$65,000 a year through July 2028.

**5. Related Party Transactions**

UNTF leases property to the Utah Department of Health and Human Services, the Department of Workforce Services, Courts, and the Department of Public Safety. During fiscal year 2023, these payments totaled \$296,915.

**6. Mortgage Loans Payable**

Mortgage loans payable consists of the Blue Mountain Diné Associates conventional mortgage loans from the Olene Walker Housing Trust Fund. Both loans are amortized over 15 years at 0% interest. The deferred interest loan requires no regular payments and will be forgiven after 15 years, unless the project is sold or the loan is refinanced. The mortgage notes are collateralized by the buildings and land.

At December 31, 2022, mortgage loans payable consisted of the following:

Olene Walker Housing Trust Fund, bearing interest at 0%, payable in monthly principal installments of \$1,647 through April 2032	\$ 184,474
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	89,989
<b>Total Mortgage Loans Payable</b>	<u><u>\$ 274,463</u></u>

Maturities of the mortgage payable are as follows:

As of December 31

2023	19,764
2024	19,764
2025	19,764
2026	19,764
2027	19,764
2028-2032	175,643
<b>Total</b>	<u><u>\$ 274,463</u></u>

**7. Commitments**

As of June 30, 2023, UNTF had outstanding commitments to Utah Chapters for projects of approximately \$2,935,324.

**Notes to the Financial Statements**

For the Year Ended June 30, 2023

**8. 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 held and invested by Utah State University Eastern. The contributions to the Endowment Fund were invested in perpetuity to earn income to be used for scholarships for Utah Navajos residing in San Juan County, Utah. The UNTF Administrator is the chairperson of UNTF scholarship committee responsible for selecting and approving all awards of scholarships from the San Juan Navajo Scholarship Endowment Fund.

**9. 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.

**10. 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.

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, 2023.

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

## Notes to the Financial Statements

For the Year Ended June 30, 2023

## Blue Mountain Diné Associates, LLC

## Condensed Balance Sheet

December 31, 2022

<b>Assets</b>	<b>Total</b>	<b>Eliminations</b>	<b>Blended Total</b>
Current Assets	\$ 160,999	\$ (36,000)	\$ 124,999
Capital Assets	251,682	—	251,682
<b>Total Assets</b>	<u>\$ 412,681</u>	<u>\$ (36,000)</u>	<u>\$ 376,681</u>
<b>Liabilities</b>			
Current Liabilities	31,792	—	31,792
Long-term Liabilities	290,699	(36,000)	254,699
<b>Total Liabilities</b>	<u>\$ 322,491</u>	<u>\$ (36,000)</u>	<u>\$ 286,491</u>
<b>Members' Equity</b>	<u>\$ 90,190</u>	<u>\$ —</u>	<u>\$ 90,190</u>

## Condensed Statement of Operations

For Year Ended December 31, 2022

<b>Revenues</b>	\$ 97,212
<b>Expenses</b>	
Operating, Maintenance & Other	61,631
Depreciation	52,659
<b>Total Expenses</b>	<u>\$ 114,290</u>
<b>Operating Loss</b>	<u>\$ (17,078)</u>
<b>Members' Equity Beginning</b>	107,268
<b>Members' Equity Ending</b>	<u>\$ 90,190</u>

## Condensed Statement of Cash Flows

For Year Ended December 31, 2022

Cash Flows from Operations	\$ 38,368
Cash Flows Provided (Used) by Investing	—
Net Cash Provided (Used) by Financing Activities	(19,765)
Net Increase (Decrease) in Cash	<u>\$ 18,603</u>
Cash Beginning of Period	132,887
Cash End of Period	<u>\$ 151,490</u>



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, 2023, and the related notes to the financial statements, which collectively comprise the UNTF's basic financial statements, and have issued our report thereon dated March 25, 2024.

### Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the UNTF's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 or significant deficiencies may exist that were not identified.

## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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  
Salt Lake City, Utah  
March 25, 2024