

UTAH NAVAJO TRUST FUND

FINANCIAL DISCLOSURES AS OF MAY 5, 2008

1. ORGANIZATION

Organization- The Utah Navajo Trust Fund (Trust Fund) is a private purpose trust fund of the State of Utah and is included in the State's *Comprehensive Annual Financial Report*. The Trust Fund was created under *Utah Code*, Title 63, Chapter 88 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 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 Navajo Indians residing in San Juan County, Utah. Prior to June 30, 2008, the Trust Fund had oversight authority by a three-member board of trustees composed of the Utah State Treasurer, the Director of the State Division of Finance, and a State officer or employee appointed by the Governor with the advice and consent of the Senate. Day-to-day program activities were managed by the Trust Fund Administrator from offices in Blanding, Utah. A nine-member Diné Committee provided input and advice as to how the funds from the Trust Fund may be expended.

During the 2008 General Session of the Utah Legislature, House Bill 352 was passed which recognized the repeal of the Utah Navajo Trust Fund under *Utah Code* Section 63I-1-263(8), Legislative Oversight and Sunset Act. The bill moved responsibility to fulfill the liabilities and obligations of the repealed Utah Navajo Trust Fund to the Department of Administrative Services (a State of Utah department), and provided for a transition process until Congress designates a new recipient of Utah Navajo royalties. A new trust fund was created on July 1, 2008 to hold: 1) the monies in the repealed Navajo Trust Fund as of June 30, 2008, 2) Utah Navajo royalties received by the State on or after July 1, 2008, 3) investment earnings, and 4) monies owed to the repealed Trust Fund.

Basis of Presentation – The list of assets, liabilities, and obligations and detailed supporting schedules in this report are presented in order to comply with House Bill 352, *Utah Code*, Section 51-9-504 and do not purport to present the Trust Fund's financial position in accordance with generally accepted accounting principles. The reports are not presented on a full accrual basis of accounting and complete disclosures as required by generally accepted accounting principles are not included in this report. A full accrual basis of accounting and complete disclosures for the Fund's financial position and changes in financial position will be presented in the Trust Fund's fiscal year 2008 financial report which will be audited by the Office of the Utah State Auditor.

2. ASSETS (as of May 5, 2008)

Cash and Investments – The Trust Fund's cash is maintained both as bank deposits and as a portion of the State's pooled cash account controlled by the Utah State Treasurer's Office. The Trust Fund follows the requirements of the Utah Money Management Act (*Utah Code*, Section

UTAH NAVAJO TRUST FUND

FINANCIAL DISCLOSURES AS OF MAY 5, 2008

51-7) in handling its depository and investment transactions. Investments are carried at amortized cost and include investments in the Utah Public Treasurers' Investment Fund.

College of Eastern Utah (CEU) Endowment Fund – Contributions of \$500,000 from the Trust Fund, together with \$1,000,000 matching Federal Title III Endowment Challenge Grant funds, were invested in the CEU Endowment Fund to be used solely for awarding scholarships to San Juan County, Utah Navajos who are attending a higher education facility located in San Juan County, Utah. The CEU Endowment Fund is administered by the College of Eastern Utah. During the first twenty years of the CEU Endowment Fund only fifty percent of the earned interest is available for scholarship funding. After the initial twenty year period, all interest earned can be made available to award student scholarships. The CEU Endowment Fund has been excluded from the list of assets, liabilities, and obligations because the funds are held by the College of Eastern Utah.

Loan Receivable – In January 1998, the Trust Fund 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 Trust Fund.

In March 2004, the Trust Fund paid \$118,602 to satisfy Blue Mountain Diné Associates, LCC's loan due to Zions Bank, 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.

Due to the issues addressed above, the LLC owed \$125,963 to the Trust Fund as of May 5, 2008.

Investment in Limited Liability Company – On November 1, 2002, the Trust Fund became the managing member of the Blue Mountain Diné Associates, LLC, which owns and operates a low-income housing apartment complex in Blanding, Utah. The Enterprise Social Investment Corporation (ESIC) asked the Trust Fund to become the managing member because of lack of appropriate management over the housing project. Upon entering the LLC, the Trust Fund received a \$100,910 equity interest in the organization. At May 5, 2008, the Trust Fund's interest in the LLC is \$100,903.

Oil Royalty Receivables – Each year the Trust Fund records oil royalty receivables which represent net royalty revenues due from the Navajo Nation. It is anticipated that there will be a royalty receivable for the year ended June 30, 2008, but the amount will not be known until year-end accruals are completed as part of the year-end financial statements. Because the royalty receivable cannot be accurately estimated as of May 5, 2008, it has been omitted from the list of assets, liabilities, and obligations.

UTAH NAVAJO TRUST FUND

FINANCIAL DISCLOSURES AS OF MAY 5, 2008

Capital Assets – Land, buildings and improvements, and equipment are reported as capital assets, with related accumulated depreciation as applicable. 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. The book values of the Montezuma Creek Subdivisions #1 and #2 and the Pink Building Land are based on similar size, location, and improvements to surrounding parcels of land in the area. The value of the Blue Mountain Diné Meeting House was estimated based on the similarity in use, condition and age to other buildings in the area. The Shumway Collection is a special collection of artifacts that the Trust Fund has no intention of selling. The value of this collection cannot be assessed; therefore, no amount is included in the list of assets, liabilities and obligations for this asset.

A complete list of the capital assets is included as Exhibit A.

Non-Capital Equipment – Non-capital equipment is expensed when purchased and is, therefore, omitted from the list of assets, liabilities, and obligations. However, a list of non-capital equipment items is included in Exhibit B.

Additionally, the Trust Fund was the lead participant in the construction of buildings for a Vendor Village in Monument Valley, Utah. Payments for this project were expensed and not capitalized because the buildings will be transferred to the Navajo Nation. Therefore, these payments are excluded from the capital asset values as reported in the list of assets, liabilities, and obligations. The total amount expensed for this project as of May 5, 2008 was \$2,030,827.

3. LIABILITIES (as of May 5, 2008)

Unearned Rent – Unearned rent is comprised of the remainder of the annual rent revenue received in July 2007 for the Government Services Building in Blanding. The revenue is recognized on a quarterly basis, with the final payment to be recognized in June 2008.

4. OBLIGATIONS (as of May 5, 2008)

Approved Unfinished Projects – For each fiscal year, the Board approved a projects budget. This budget amount was distributed in pro-rated amounts among the seven chapters and the Blue Mountain Diné organization according to the Trust Fund's census population for each chapter. In addition, the Board also approved projects that helped provide for the health, education, and general welfare of Navajo beneficiaries living in San Juan County. These projects were often long-term projects and were, therefore, not finished within the year of approval. A complete list of these projects that were incomplete as of May 5, 2008 is included as Exhibit C and Exhibit D.

UTAH NAVAJO TRUST FUND

FINANCIAL DISCLOSURES AS OF MAY 5, 2008

As of May 5, 2008, the Vendor Village and Health Clinic projects in Monument Valley had not been finalized and closed out. Additional costs were incurred and will be incurred on these projects primarily due to delays in obtaining the utility infrastructure and in meeting code requirements of the Navajo Tribal Utility Authority. Additional funding is being sought from the Oljato Chapter's allocation from the Utah Navajo Revitalization Fund and other sources to cover the additional costs. However, it is possible that additional funding may be needed from the Trust Fund over and above the amounts authorized by the repealed Board in order to finalize and close out these projects.

Scholarships – The Trust Fund's Higher Education Program pays a maximum of \$1,800 per semester not to exceed \$3,600 per year for beneficiary students. The amount paid is based upon the needs analysis performed by the students' educational facility. In the past, the average has been 67% of the maximum allowed per semester, \$1,206 per student. As of May 5, 2008, the Higher Education Program had 193 students eligible for assistance that met the requirements of *Utah Code* Section 51-9-504(7)(b), as passed in House Bill 352 of the 2008 General Session of the Utah State Legislature. This statute allows for the Higher Education Program to accept new students until June 30, 2010. An estimate of \$465,516 for fiscal year 2009 is reported on the list of assets, liabilities, and obligations and is based upon the 193 students attending both fall and spring semester and being funded for an average of \$1,206 per semester. This amount may vary for fiscal year 2009 and future fiscal years depending on actual participation.

Due to student privacy considerations, the detailed list of 193 students eligible to receive assistance from the Trust Fund as of May 5, 2008 has not been included in this report.

Contracts – A complete list of current contracts as of May 5, 2008 is included as Exhibit E. This exhibit includes contracts where the Utah Navajo Trust Fund is a lessor, as well as contracts that commit the Trust Fund to purchase goods when delivered or services when rendered.