

**CHAMORRO LAND TRUST COMMISSION**

**(A GOVERNMENTAL FUND OF THE  
GOVERNMENT OF GUAM)**

---

**FINANCIAL STATEMENTS,  
ADDITIONAL INFORMATION AND  
INDEPENDENT AUDITORS' REPORT**

---

**YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

## **CHAMORRO LAND TRUST COMMISSION**

Years Ended September 30, 2017 and 2016  
Table of Contents

	<u>Page No.</u>
I. INDEPENDENT AUDITORS' REPORT	1
II. MANAGEMENT'S DISCUSSION AND ANALYSIS	3
III. FINANCIAL STATEMENTS:	
Balance Sheets	9
Statements of Revenues, Expenditures and Changes in Fund Balances	10
Notes to Financial Statements	11
IV. OTHER SUPPLEMENTARY INFORMATION:	
Combining Balance Sheets	19
Combining Statements of Revenues, Expenditures, and Changes in Fund Balances	21
Supplemental Schedule of Employees and Salaries	23
V. INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	24
Schedule of Findings and Responses	26
Unresolved Prior Year Findings	27

## **INDEPENDENT AUDITORS' REPORT**

Board of Commissioners  
Chamorro Land Trust Commission

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Chamorro Land Trust Commission (the Commission), which comprise the balance sheets as of September 30, 2017 and 2016, and the related statements of revenues, expenditures, and changes in fund balances for the years then ended, and the related notes to the financial statements.

#### ***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.

#### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 Chamorro Land Trust Commission as of September 30, 2017 and 2016, and the results of its operations for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matter - Reporting Entity***

As discussed in Note 1 to the financial statements, the financial statements referred to above present only the Chamorro Land Trust Commission and are not intended to present fairly the financial position and results of operations of the Government of Guam in conformity 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 the Management's Discussion and Analysis on pages 3 through 8 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.

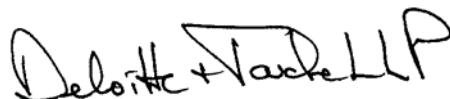
### ***Other Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Other Supplementary Information, as set forth in Section IV of the foregoing table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. The Other Supplementary Information is the responsibility of the Commission's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The additional information on pages 19 through 22 has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standard generally accepted in the United States of America. In our opinion, such information is fairly stated, in all material respects, in relation to the financial statements as a whole.

The additional information on page 23 has 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 it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 23, 2018, on our consideration of the Commission'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 internal control over financing reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Deloitte & Touche LLP". The signature is fluid and cursive, with "Deloitte" and "Touche" connected at the top, and "LLP" at the bottom right.

April 23, 2018

## **CHAMORRO LAND TRUST COMMISSION**

Management's Discussion and Analysis  
September 30, 2017 and 2016

### **INTRODUCTION**

The Chamorro Land Trust Commission (CLTC) is a component unit of the Government of Guam, currently located at 590 South Marine Corps Drive, Ste 303, ITC Building, Tamuning, Guam 96913. CLTC acts exclusively in the interest of the beneficiaries under the Chamorro Land Trust Act. The Audit of Financial Statements and Other Reporting for FY2017 is the sixth financial audit conducted since CLTC was codified into law and made possible with collaborative efforts by the CLTC Board, CLTC management and staff, and the Office of Public Accountability (OPA); adhering to accountability and transparency.

The Chamorro Land Trust Commission's Management's Discussion and Analysis (MD&A) provides an overview of CLTC's financial activities for fiscal years ended September 30, 2017 and 2016. The information enclosed in the MD&A has been prepared by management and it should be read in conjunction with the financial statements and notes which follow this section.

### **1. Financial Highlights**

- Total assets exceeded total liabilities by \$2,718,684 at the close of fiscal year 2017 as compared to \$3,146,719 at the close of fiscal year 2016.
- Total assets at September 30, 2017 decreased by \$319,646 as compared to September 30, 2016.
- Total liabilities at September 30, 2017 increased by \$108,389 as compared to September 30, 2016.
- Total fund balance at September 30, 2017 decreased by \$428,035 as compared to September 30, 2016.
- Total revenues of \$1,524,433 for fiscal year 2017 increased by \$364,271 as compared to \$1,160,162 for fiscal year 2016. Total expenditures of \$1,952,468 for fiscal year 2017 increased by \$1,012,898 as compared to \$939,570 for fiscal year 2016.

### **2. Overview of the Financial Statements**

CLTC's financial statements include all activities of the Chamorro Land Trust Operations Fund, the Chamorro Loan Guarantee Fund and the Chamorro Land Trust Survey and Infrastructure Fund. The financial statements include a Balance Sheet and Statements of Revenues, Expenditures, and Changes in Fund Balance for Fiscal Years 2017 and 2016.

Notes to the financial statements are additional information needed to provide further understanding of the basic financial statements.

Management's Discussion and Analysis for the year ended September 30, 2016 is set forth in the report on the audit of CLTC's financial statements dated May 10, 2017. That Discussion and Analysis explains the major factors impacting the 2016 financial statements and may be obtained from the contact information below.

## CHAMORRO LAND TRUST COMMISSION

Management's Discussion and Analysis, Continued  
September 30, 2017 and 2016

### **3. Financial Statement Analysis**

The balance sheet discloses information on CLTC's assets, liabilities, and fund balance at year-end. The condensed summary of CLTC's balance sheet shown below is for the years ending September 30, 2017, 2016 and 2015.

#### **Balance Sheets**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 2,066,644	\$ 1,716,450	\$ 426,239
Receivables, net	398,451	326,688	238,135
Due from GovGuam	222,155	964,372	1,968,496
Restricted assets	<u>514,125</u>	<u>513,511</u>	<u>512,896</u>
Total assets	<u>\$ 3,201,375</u>	<u>\$ 3,521,021</u>	<u>\$ 3,145,766</u>
<b><u>LIABILITIES AND FUND BALANCE</u></b>			
Liabilities:			
Accounts payable	\$       70	\$     5,745	\$       160
Accrued payroll and other liabilities	27,039	2,576	3,058
Unearned revenues	<u>455,582</u>	<u>365,981</u>	<u>216,421</u>
Total liabilities	<u>482,691</u>	<u>374,302</u>	<u>219,639</u>
Fund balance:			
Restricted <sup>1</sup>	514,125	513,511	512,896
Committed <sup>2</sup>	2,200,094	2,370,997	2,412,476
Assigned <sup>3</sup>	<u>4,465</u>	<u>262,211</u>	<u>755</u>
Total fund balance	<u>2,718,684</u>	<u>3,146,719</u>	<u>2,926,127</u>
Total liabilities and fund balance	<u>\$ 3,201,375</u>	<u>\$ 3,521,021</u>	<u>\$ 3,145,766</u>

Total fund balance decreased by \$428,035 at the end of fiscal year 2017 due to the following:

- Total assets decreased by \$319,646 in 2017 compared to 2016 primarily due to a decrease in Due from GovGuam as a result of the recording of a permanent transfer in 2017.
- Total liabilities increased by \$108,389 in 2017 compared to 2016 primarily due to an increase in accrued payroll and other liabilities and unearned revenues. The unearned revenues total is primarily made up of rent escalation related to CLTC's commercial leases. The recording and recognition of the rent escalation is to ensure compliance with GASB 13 and CLTC applies the straight-line basis of measurement.

<sup>1</sup> The fund balance restricted amount represents cash and cash equivalents and time certificates of deposit that have been restricted to fulfill CLTC's financial requirement for the Home Loan Guarantees issued by CLTC with Guam Housing Corporation and the Small Business Administration.

## CHAMORRO LAND TRUST COMMISSION

### Management's Discussion and Analysis, Continued September 30, 2017 and 2016

- <sup>2</sup> The fund balance committed amount represents funds reserved by law for the operations of CLTC. These funds cannot be used for any other purpose unless the constraint is removed by the Guam Legislature through Public Law.
- <sup>3</sup> The fund balance assigned amount represents funds that have been encumbered and intended for CLTC operations in the respective fiscal year.

### **Statements of Revenues, Expenditures, and Changes in Fund Balance**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Revenues:</b>			
Lease rentals	\$ 836,521	\$ 771,061	\$ 830,677
Proceeds from sale of land	455,000	-	-
Collections from Land for the Landless Program	127,865	206,369	-
Payment in lieu of real property taxes	94,955	91,646	59,286
Royalties	-	83,215	153,662
Land trust application fees	7,050	6,250	4,400
Interest income	<u>3,042</u>	<u>1,621</u>	<u>1,376</u>
 Total revenues	 <u>1,524,433</u>	 <u>1,160,162</u>	 <u>1,049,401</u>
 <b>Expenditures:</b>			
Salaries and Wages - regular	535,347	414,455	276,315
Salaries and Wages - fringe benefits	145,755	114,531	82,201
Health benefits	56,436	53,266	32,638
Contractual services	212,100	168,168	139,850
Building rent	124,390	124,390	124,390
Supplies	10,202	30,683	8,735
Capital outlays	221,700	27,592	-
Transfer out to General Fund	641,368	-	-
Miscellaneous	<u>5,170</u>	<u>6,485</u>	<u>2,190</u>
 Total expenditures	 <u>1,952,468</u>	 <u>939,570</u>	 <u>666,319</u>
 Net change in fund balances	 (428,035)	 220,592	 383,082
 Fund balances at beginning of year	 <u>3,146,719</u>	 <u>2,926,127</u>	 <u>2,543,045</u>
 Fund balances at end of year	 <u>\$ 2,718,684</u>	 <u>\$ 3,146,719</u>	 <u>\$ 2,926,127</u>

During fiscal year 2016, CLTC commenced collection of outstanding receivables from the Land for the Landless program as stipulated in Public Law 33-104. This resulted in collections of \$127,865 in 2017 and \$206,369 in 2016.

CLTC real property taxes increased by \$3,309 in 2017 compared to 2016. This is due to the increase in real property tax collection.

Lease rental revenues increased by \$59,926 in 2017 compared to 2016. This is primarily due to CLTC's active collection of the Guam Raceway, United States Postal Services, and Sorenson Media Group account receivables.

## CHAMORRO LAND TRUST COMMISSION

### Management's Discussion and Analysis, Continued September 30, 2017 and 2016

Proceeds from sale of land of \$455,000 were generated through the enactment of P.L. 33-172 and 33-174 which authorized the sale of property located in the Municipality of Santa Rita and Tamuning to the Guam Waterworks Authority.

Total revenues in FY2017 increased by \$364,271 from \$1,524,433 in 2017 compared to \$1,160,162 in 2016. This is primarily due to proceeds received from sale of land as well as an increase in lease rental revenues offset by a decrease in collections under the Land for the Landless program and royalties from excavation activities.

Total expenditures in FY2017 increased by \$1,012,898 from \$1,952,468 in 2017 compared to \$939,570 in 2016. The increase is due to increased personnel costs of \$155,286 in 2017 compared to 2016 together with an increase in capital outlays of \$194,108 for the acquisition of several official vehicles and computers in FY 2017. The encumbrance was recorded and reflected in CLTC's FY2016 Financial Statements and the expenditure was recorded and paid in FY2017 when the purchase order for the respective procurement was completed. Finally, a transfer out to General Fund of \$641,368 was recorded in 2017 due to the recognition of a permanent transfer in compliance with GASB 34.

#### **4. Challenges and Accomplishments**

CLTC was created through Public Law (PL) 12-226. CLTC's primary mission is to lease Chamorro Homelands to native Chamorro as defined by the Organic Act. Also, CLTC is authorized to execute commercial leases and licenses for various purposes as prescribed by law. When applications for our residential and agricultural programs are submitted and have fulfilled all the prerequisites they are placed on a respective island-wide waiting list in the order in which their applications were received by the Commission.

On November 09, 2015, CLTC's Commercial Rules & Regulations was codified through the enactment of PL 33-95. CLTC now is allowed to designate and declare property for commercial use not to exceed nine percent (9%) of unassigned land for residential and agriculture purposes. As required by the CLTC Commercial Rules & Regulations, the CLTC board has designated five separate properties for commercial use. The board continues its review of a new memorandum of understanding with the Guam Economic Development Authority to seek potential lessees for these commercial designated properties. Commercial leases will be awarded through a competitive bid process.

CLTC has about 33% of Government of Guam property in its property inventory, which is attributed to an administrative transfer. In 1995, 11,245 acres were transferred to CLTC. In 1997, 183 acres were removed by Public Law 23-100 and Public Law 24-15. As a result, 11,062 acres were made available for lease purposes. Of those, 4,070 acres are located in the south; 1,298 acres are in the central; and, 5,694 acres are located in the north. Furthermore, 3,545 acres of CLTC inventory are unregistered property, which the law prohibits any leasing and use until a title of ownership is established through judicial land registration. While the task of land registration is enormous and lengthy, the Attorney General of Guam coordinated with the Superior Court of Guam to allow the government's land registration cases still pending in their dockets to be placed back into the active files. Several cases have successfully concluded resulting in a couple hundred acres now registered. CLTC is optimistic that several land registration cases for land in the north, of which CLTC had issued leases in its earlier years, will also be completed within FY2018.

## CHAMORRO LAND TRUST COMMISSION

### Management's Discussion and Analysis, Continued September 30, 2017 and 2016

At year-end September 30, 2017, CLTC had updated their land inventory and determined that there is 11,622 acres available for lease. Of those, 6,019 acres located in the north; 4,185 acres in the south; and 1,418 in the central. Furthermore, the total unregistered acres decreased to 3,344 acres. Tasked to oversee such an enormous property inventory, the Commission operated with a four-member board and an administrative director with a staff of fourteen (14) employees at the end of FY 2017.

In addition to all the tasks and programs CLTC is mandated to execute, there are several revolving funds and specials funds created by law. The revolving funds are known as the Chamorro Home Loan Fund, the Chamorro Commercial Loan Fund, and the Chamorro Home Repair Fund. The special funds are known as the Chamorro Home Development Fund, the Chamorro Educational Assistance Fund, Chamorro Land Trust Operation Fund, Chamorro Loan Guarantee Fund and the CLTC Survey and Infrastructure Fund. Unfortunately, several funds have been dormant and unfunded, which has not enabled CLTC to perform all its mandates required by law.

As of September 30, 2017, CLTC has qualified a total of 11,524 applicants for its residential and agricultural programs. These applicants are considered qualified based on submitting documented proof of eligibility and have satisfied the one-time processing fee of \$50.00. In FY2017, CLTC issued a total of 274 leases to our residential and agricultural applicants. The number of leases issued in FY2017 is four hundred and forty-two percent (442%) increase compared to the 62 leases issued in FY 2016. Furthermore, CLTC at the end of FY2017 had leased a combined total acreage of 3,065.91 through its residential and agriculture programs and 691.21 acres through its commercial program. One new commercial lease was executed in 2017 with Teleguam Holdings, LLC.

During FY2017, CLTC continued to issue Loan Guarantees as mandated by law under Home Loan Guarantee Program. At year-end September 30, 2017, CLTC issued three (3) Loan Guarantees. The three (3) addition Loan Guarantees increased CLTC's Home Loan Guarantee Program liability to \$10,104,510. In addition, to assisting our constituents to realizing the dream of owning a place they can call home, CLTC has continued the working dialogue with the United States Small Business Administration (SBA) and the Guam Housing Corporation (GHC) to ensure that our constituents are making their payments in a timely manner and to prevent any unforeseen foreclosures. CLTC does not foresee any potential defaults or foreclosures from occurring due to the authority granted through Chamorro Land Trust Act to "offer and reassign to the next qualified applicant the opportunity to assume any loan in default guaranteed by the Chamorro Loan Guarantee Fund."

FY2017 is the third succeeding year CLTC has utilized its financial accounting system. CLTC has been able to provide monthly invoices and account statements to our commercial lessees/licensees. Subsequently, CLTC's monitoring of collections and accounts receivable has been transparent and accountable.

In FY2017, CLTC encountered an unforeseen challenge. On September 29, 2017, the United States of America filed a "Complaint" Civil Case No. 17-00113 against the Government of Guam, Chamorro Land Trust Commission and Administrative Director of the Chamorro Land Trust Commission. The nature of the "Complaint" was for the "United States to enforce Title VIII of the Civil Rights Act of 1968, as amended, 42 U.S.C. §§ 3601-3631 ("the Fair Housing Act" or "the FHA"), against the Government of Guam, the Chamorro Land Trust Commission and the Administrative Director of the Chamorro Land Trust Commission for discriminating against non-Chamorros through enforcement of the Chamorro Land Trust Act, 21 GUAM CODE ANN. ("G. C. A.") ch. 75 (the "CLTC"), and implementing regulations."

## **CHAMORRO LAND TRUST COMMISSION**

### **Management's Discussion and Analysis, Continued September 30, 2017 and 2016**

CLTC continued to struggle to acquire needed resources to survey and provide the basic infrastructure to properties leased in the past and present. In FY2017 and other preceding fiscal years, CLTC has recorded and recognized amounts classified as a receivable under the Due from General Fund account associated with CLTC's Home Loan Guarantee Fund and Survey and Infrastructure Fund. Furthermore, in preparation of CLTC Financial Statements, CLTC must ensure that the General Accepted Accounting Principles related to financial statement presentation and other regulatory requirements are adhered to. At the year-end September 30, 2017, CLTC recorded and recognized a "Transfer Out to General Fund" of \$320,105 from the Chamorro Loan Guarantee Fund and \$321,263 from the Chamorro Land Trust Survey and Infrastructure Fund to ensure compliance with Government Accounting Standards Board Statement No. 34 (GASB 34).

#### **5. Outlook**

The CLTC board of commissioners and administrative director will continue to move in the direction of issuing agricultural and residential leases. Also, management will continue to pursue the merger of various funds into a single fund. In addition, CLTC management will work with the Administration and Legislature to gain custody of the fund. Moreover, CLTC will finalize the Memorandum of Understanding (MOU) with the Guam Economic Development Authority for property management services related to future Commercial Leases that would require to be awarded through a competitive bid process.

#### **6. Contacting the Chamorro Land Trust Commission's Financial Management**

This report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of CLTC's finances and to show the CLTC's accountability for the money it receives. Questions concerning any of the information provided in this report or request for additional information should contact the Director's office at (671) 649-5381 or email to dlmdir@land.guam.gov.

**CHAMORRO LAND TRUST COMMISSION**

Balance Sheets  
September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b><u>ASSETS</u></b>		
Cash and cash equivalents	\$ 2,066,644	\$ 1,716,450
Receivables, net:		
Commercial	398,451	326,688
Due from GovGuam	222,155	964,372
Restricted assets:		
Cash and cash equivalents	214,125	213,511
Time certificates of deposit	<u>300,000</u>	<u>300,000</u>
Total assets	<u>\$ 3,201,375</u>	<u>\$ 3,521,021</u>
<b><u>LIABILITIES AND FUND BALANCE</u></b>		
Liabilities:		
Accounts payable	\$ 70	\$ 5,745
Accrued payroll and other liabilities	27,039	2,576
Unearned revenues	<u>455,582</u>	<u>365,981</u>
Total liabilities	<u>482,691</u>	<u>374,302</u>
Commitments and contingencies		
Fund balance:		
Restricted	514,125	513,511
Committed	2,200,094	2,370,997
Assigned	<u>4,465</u>	<u>262,211</u>
Total fund balance	<u>2,718,684</u>	<u>3,146,719</u>
Total liabilities and fund balance	<u>\$ 3,201,375</u>	<u>\$ 3,521,021</u>

See accompanying notes to financial statements.

## CHAMORRO LAND TRUST COMMISSION

### Statements of Revenues, Expenditures, and Changes in Fund Balances Years Ended September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>Revenues:</b>		
Lease rentals:		
Commercial	\$ 827,530	\$ 767,604
Agricultural and residential	9,041	3,457
Proceeds from sale of land	455,000	-
Collections from Land for the Landless program	127,865	206,369
Payment in lieu of real property taxes	94,955	91,646
Land trust application fees	7,000	6,250
Royalties	-	83,215
Interest income	<u>3,042</u>	<u>1,621</u>
Total revenues	<u>1,524,433</u>	<u>1,160,162</u>
<b>Expenditures:</b>		
Salaries and wages - regular	535,347	414,455
Salaries and wages - fringe benefits	145,755	114,531
Health benefits	56,436	53,266
Contractual services	212,100	168,168
Building rent	124,390	124,390
Supplies	10,202	30,683
Capital outlays	221,700	27,592
Transfers out to General Fund	641,368	-
Miscellaneous	<u>5,170</u>	<u>6,485</u>
Total expenditures	<u>1,952,468</u>	<u>939,570</u>
Net change in fund balances	(428,035)	220,592
Fund balances at beginning of year	<u>3,146,719</u>	<u>2,926,127</u>
Fund balances at end of year	<u>\$ 2,718,684</u>	<u>\$ 3,146,719</u>

See accompanying notes to financial statements.

## CHAMORRO LAND TRUST COMMISSION

Notes to Financial Statements  
September 30, 2017 and 2016

### (1) Organization

The Chamorro Land Trust Commission (CLTC), a governmental fund of the Government of Guam (GovGuam), was established by the Chamorro Land Trust Act of 1975 (Public Law 12-226) for the purpose of protecting and ensuring trust lands are awarded to native Chamorro through residential, agricultural, and commercial leases. The CLTC is responsible for the disposition of Chamorro Homelands pursuant to mandates to advance the social, cultural and economic development and well-being of the Chamorro people.

The accompanying financial statements relate solely to those accounting records maintained by the CLTC, and do not incorporate any accounts related to other departments or agencies within GovGuam.

The CLTC is governed by a five-member Board of Commissioners appointed by the Governor of Guam.

On October 6, 2011, the Governor of Guam issued Reorganization Advisory No. 5, which was later superseded by Advisory No. 9, whereby the CLTC was merged into GovGuam's Department of Land Management along with the Guam Ancestral Lands Commission.

### (2) Summary of Significant Accounting Policies

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the CLTC's accounting policies are described below:

#### Measurement Focus and Basis of Accounting

The CLTC reports its financial position and the results of operations in governmental funds. A fund is a separate accounting entity with a self-balancing set of accounts. They are concerned only with the measurement of financial position and are not involved with measurement of results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds).

The special revenue funds currently reported by the CLTC are as follows:

- The Chamorro Land Trust Operations Fund - this fund was created for the purpose of accounting for the receipt of all land use permits, monetary contributions and fees and for the payment of operational expenses associated with the CLTC.
- The Chamorro Loan Guarantee Fund - this fund was created for the purpose of accounting for applicable taxes on Chamorro Homelands collected by GovGuam's Department of Revenue and Taxation earmarked for loan guarantees issued by governmental agencies or lending institutions to native Chamorro borrowers holding leases or licenses of Chamorro Homelands. During the years ended September 30, 2017 and 2016, GovGuam's Department of Revenue and Taxation collected \$94,955 and \$91,646, respectively, in real property taxes associated with Chamorro Homelands.

## CHAMORRO LAND TRUST COMMISSION

Notes to Financial Statements  
September 30, 2017 and 2016

### (2) Summary of Significant Accounting Policies, Continued

#### Measurement Focus and Basis of Accounting, Continued

- The Chamorro Land Trust Survey and Infrastructure Fund – this fund was created for the purpose of accounting for the receipt of all proceeds from the sale of bull cart trails and land remnants and proceeds from the sale of land under the *Land for the Landless* program that will be used solely for the surveying of unsurveyed CLTC land and for the operational needs in support thereof. In December 1, 2015, the CLTC commenced collection of outstanding receivables from the Land for the Landless program as stipulated by Public Law 33-104. The law requires funds collected shall be deposited into the Chamorro Land Trust Survey and Infrastructure Fund. During the years ended September 30, 2017 and 2016, the CLTC collected \$127,865 and \$206,369, respectively, including interest charged, from the outstanding balances.

#### Basis of Presentation

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included in the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the CLTC considers revenues to be available if they are collected within 90 days of the end of the current fiscal period.

Significant revenues susceptible to accrual include revenue received from residential, agricultural, and commercial leases. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred.

#### Cash and Time Certificates of Deposit

The CLTC has the power and authority to invest and re-invest any of the money in any of its funds, not otherwise immediately needed for the purposes of the funds in such bonds and securities authorized in 5 GCA Chapter 21, *Investments and Deposits*. Custodial credit risk is the risk that in the event of a bank failure, the CLTC's deposits may not be returned to it. Such deposits are not covered by depository insurance and are either uncollateralized or collateralized with securities held by the pledging financial institution or held by the pledging financial institution but not in the depositor-government's name. The CLTC does not have a deposit policy for custodial credit risk.

## CHAMORRO LAND TRUST COMMISSION

Notes to Financial Statements  
September 30, 2017 and 2016

### (2) Summary of Significant Accounting Policies, Continued

#### Cash and Time Certificates of Deposit, Continued

For the purposes of the balance sheets, cash is defined as cash in checking and savings accounts. Deposits maintained in time certificates of deposit with original maturity dates greater than three months are separately classified on the balance sheets. As of September 30, 2017 and 2016, the carrying amount of the CLTC's cash and time certificates of deposit was \$2,580,769 and \$2,229,961, respectively, and the corresponding bank balances were \$2,580,769 and \$2,229,961, respectively, which are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2017 and 2016, bank deposits in the amount of \$250,000 were FDIC insured. The CLTC does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

#### Receivables

Receivables are due from individuals and businesses residing on the island of Guam and are uncollateralized and non-interest bearing.

The allowance for doubtful accounts is stated at an amount which management believes will be adequate to absorb possible losses on accounts receivable that may become uncollectible based on evaluations of the collectability of these accounts and prior collection experience.

#### Interfund Receivables

During the course of CLTC operations, GovGuam's General Fund records transactions between individual funds for goods provided or services rendered. These balances result from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made, and are scheduled to be collected in the subsequent year.

#### Unearned Revenues

Unearned revenues represent base and participation rent revenues accrued which do not meet the "available" criterion for revenue recognition under the modified accrual basis of accounting.

#### Fund Balance

Governmental fund balances are classified as follows:

- Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and do not lapse at year-end.
- Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed.

## CHAMORRO LAND TRUST COMMISSION

Notes to Financial Statements  
September 30, 2017 and 2016

### (2) Summary of Significant Accounting Policies, Continued

#### Fund Balance, Continued

Restricted/committed amounts are spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit from doing this. In addition, committed, then assigned amounts of unrestricted fund balance are expended in that order.

A formal minimum fund balance policy has not been adopted.

#### Management Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Encumbrances

The CLTC utilizes encumbrance accounting to identify fund obligations. Encumbrances represent commitments related to unperformed contracts for goods. At September 30, 2017 and 2016, the CLTC has encumbrances of \$4,465 and \$262,211, respectively.

#### New Accounting Standards

During the year ended September 30, 2017, the CLTC implemented the following pronouncements:

- GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, which aligns the reporting requirements for pensions and pension plans not covered in GASB Statements 67 and 68 with the reporting requirements in Statement 68.
- GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and addresses financial reporting requirements for governments whose employees are provided with postemployment benefits other than pensions (other postemployment benefits or OPEB).
- GASB Statement No. 77, *Tax Abatement Disclosures*, which requires governments that enter into tax abatement agreements to disclose certain information about the agreements.
- GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, which addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*.
- GASB Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*, which improves financial reporting by clarifying the financial statement presentation requirements for certain component units.

## CHAMORRO LAND TRUST COMMISSION

Notes to Financial Statements  
September 30, 2017 and 2016

### (2) Summary of Significant Accounting Policies, Continued

#### New Accounting Standards, Continued

- GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*, which addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The implementation of these statements did not have a material effect on the accompanying financial statements.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and provides guidance on reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. The provisions in Statement No. 75 are effective for fiscal years beginning after June 15, 2017. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*, which improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The provisions in Statement No. 81 are effective for fiscal years beginning after December 15, 2016. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, which addresses accounting and financial reporting for certain asset retirement obligations (AROs) associated with the retirement of a tangible capital asset. The provisions in Statement No. 83 are effective for fiscal years beginning after June 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of all state and local governments. The provisions in Statement No. 84 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*, which address practice issues that have been identified during implementation and application of certain GASB Statements including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). The provisions in Statement No. 85 are effective for fiscal years beginning after June 15, 2017. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*, which improves consistency in accounting and financial reporting for in-substance defeasance of debt. The provisions in Statement No. 86 are effective for fiscal years beginning after June 15, 2017. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

## CHAMORRO LAND TRUST COMMISSION

Notes to Financial Statements  
September 30, 2017 and 2016

### (2) Summary of Significant Accounting Policies, Continued

#### New Accounting Standards, Continued

In June 2017, GASB issued Statement No. 87, *Leases*, which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in Statement No. 87 are effective for fiscal years beginning after December 15, 2019. Management has yet to determine whether the implementation of this statement will have a material effect on the financial statements.

### (3) Risk Management

The CLTC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the CLTC not to purchase commercial insurance for the risks of loss to which it is exposed. Instead, CLTC management believes it is more economical to manage its risks internally. In the event of claim settlements and judgments, the CLTC reports all of its risk management activities in the Chamorro Land Trust Operations Fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. No losses have occurred as a result of these policies in any of the past three fiscal years.

### (4) Receivables

Receivables as of September 30, 2017 and 2016, including the applicable allowance for uncollectible accounts, are as follows:

	<u>2017</u>	<u>2016</u>
Receivables:		
Lease rentals	\$ 580,051	\$ 455,488
Less allowance for uncollectible accounts	<u>(181,600)</u>	<u>(128,800)</u>
	<u>\$ 398,451</u>	<u>\$ 326,688</u>

### (5) Restricted Assets

The CLTC maintains a savings deposit and time certificates of deposit as of September 30, 2017 and 2016 in the amount of \$514,125 and \$513,511, respectively, restricted to collateralize low income housing loans funded by Rural Housing Service (RHS) through the Guam Housing Corporation. The Memorandum of Understanding signed with the RHS requires the CLTC to create and maintain an escrow account with an initial deposit of \$500,000. If the account falls below \$500,000, the CLTC shall deposit in the escrow account 5% of all RHS loans issued until such time that the account has reached \$500,000.

### (6) Related Party Transactions

The CLTC is a governmental fund of GovGuam and is therefore affiliated with all GovGuam-owned and affiliated entities, including all departments and agencies of GovGuam, including the Guam Housing Corporation and the Guam Waterworks Authority.

## CHAMORRO LAND TRUST COMMISSION

Notes to Financial Statements  
September 30, 2017 and 2016

### (6) Related Party Transactions, Continued

Certain developed land supported by valid lease agreements is held as investments in land and other real estate within a permanent fund of the Government of Guam. Such investment is recorded at fair value whereas other undeveloped land not supported by lease agreements is reported at historical cost. As of September 30, 2017 and 2016, such land is valued at \$461,302,203 and \$436,097,702, respectively, of which \$453,073,398 and \$427,811,501, is held by the CLTC. Fair value is based on estimated current value (primarily assessed real estate property tax valuations) and appraisals. Investments that do not have an established market are reported at estimated fair value. Earnings from lease agreements associated with these investments are reported as revenues of the CLTC.

During the year ended September 30, 2017, the CLTC transferred certain land to the Guam Waterworks Authority in accordance with Public Law 33-174 for consideration of \$455,000.

During the year ended September 30, 2017, \$641,368 was transferred to the General Fund to fund General Fund operations. This transfer was based on a determination by CLTC management that the repayment of interfund receivables due from the General Fund of \$641,368 were not expected to occur within a reasonable time.

### (7) Significant Customers

The CLTC generates revenues from certain major customers that exceed 10 percent or more of the CLTC's total revenues. During the years ended September 30, 2017 and 2016, the CLTC recognized revenues from two customers that represented approximately 73% and 77%, respectively, of total revenues.

### (8) Commitments

The CLTC has entered into agreements with various licensees for the use of trust lands for commercial, agricultural and residential purposes. The future minimum lease receipts under the remainder of these licensing agreements are as follows:

Year Ending  
September 30,

2018	\$ 859,506
2019	835,745
2020	848,687
2021	830,901
2022	822,398
2023 - 2027	3,862,792
2028 - 2032	3,970,150
2033 - 2037	2,990,015
2038 - 2042	530,212
2043 - 2047	<u>16,200</u>
	<u>\$ 15,566,606</u>

## CHAMORRO LAND TRUST COMMISSION

Notes to Financial Statements  
September 30, 2017 and 2016

### (9) Contingencies

#### Loan Guarantee

The CLTC is authorized to loan or guarantee the repayment of or otherwise underwrite any authorized loan to a Chamorro homeland lessee up to a maximum amount not to exceed the financial ability of the borrower. In the event of default, these loan guarantees may shift the lender's default risk entirely to the CLTC whereby the lender may call upon the CLTC to make partial or full payment of the guaranteed loan. As of September 30, 2017, the CLTC has guaranteed a material amount of loans for Chamorro homeland residential lessees. CLTC management is of the opinion that defaulted loans may be reassigned and that the CLTC has substantial defenses available to it in the event of litigation. As a result, at this time, management does not believe that material exposure exists related to this event. Therefore, no provision for a liability that may arise from this matter has been made in the accompanying financial statements.

#### Lawsuit and Claims

On January 13, 2017, the US Department of Justice (DOJ) informed GovGuam through a letter that the DOJ has completed its investigation and has authorized the filing of a complaint in federal district court against GovGuam, the CLTC, and its Administrative Director. The complaint will allege that GovGuam, through the CLTC and its Administrative Director, denied a dwelling to a person or persons because of race or national origin; discriminated in the terms, conditions, or privileges of sale or rental of dwellings, and/or in the provision of services or facilities in connection therewith because of race or national origin; and made statements and advertisements with respect to the rental of a dwelling that indicate a preference, limitation or discrimination based on race or national origin in violation of the FHA, 42 U.S.C. §§ 3604 (a), (b), (c). The complaint will also allege that the defendants discriminated because of race or national origin in making available, or in the term or conditions of, residential real estate related transactions in violation of the Fair Housing Act, 42 U.S.C. § 3605 (a). While the outcome of this communication cannot be predicted with certainty, GovGuam is of the opinion, that the CLTC Act of 1975 is legal and constitutional and that the ultimate disposition of such communication will not have a material adverse effect on the CLTC's financial statements, and therefore no related provision has been recorded in the accompanying financial statements for the potential impact, if any, of this matter.

**CHAMORRO LAND TRUST COMMISSION**

Combining Balance Sheet  
September 30, 2017

	Chamorro Land Trust Operations Fund	Chamorro Loan Guarantee Fund	Chamorro Land Trust Survey and Infrastructure Fund	Total
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 2,066,644	\$ -	\$ -	\$ 2,066,644
Receivables:				
Commercial	394,393	3,600	458	398,451
Due from GovGuam	222,155	-	-	222,155
Restricted assets:				
Cash and cash equivalents	-	214,125	-	214,125
Time certificates of deposit	-	300,000	-	300,000
Total assets	<u>\$ 2,683,192</u>	<u>\$ 517,725</u>	<u>\$ 458</u>	<u>\$ 3,201,375</u>
<b><u>LIABILITIES AND FUND BALANCE</u></b>				
Liabilities:				
Accounts payable	\$ 70	\$ -	\$ -	\$ 70
Accrued payroll and other liabilities	27,039	-	-	27,039
Unearned revenues	<u>455,582</u>	<u>-</u>	<u>-</u>	<u>455,582</u>
Total liabilities	<u>482,691</u>	<u>-</u>	<u>-</u>	<u>482,691</u>
Fund balance:				
Restricted	-	514,125	-	514,125
Committed	2,196,036	3,600	458	2,200,094
Assigned	<u>4,465</u>	<u>-</u>	<u>-</u>	<u>4,465</u>
Total fund balance	<u>2,200,501</u>	<u>517,725</u>	<u>458</u>	<u>2,718,684</u>
Total liabilities and fund balance	<u>\$ 2,683,192</u>	<u>\$ 517,725</u>	<u>\$ 458</u>	<u>\$ 3,201,375</u>

See Accompanying Independent Auditors' Report.

**CHAMORRO LAND TRUST COMMISSION**

Combining Balance Sheet  
September 30, 2016

	Chamorro Land Trust Operations Fund	Chamorro Loan Guarantee Fund	Chamorro Land Trust Survey and Infrastructure Fund	<u>Total</u>
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 1,716,450	\$ -	\$ -	\$ 1,716,450
Receivables:				
Commercial	326,688	-	-	326,688
Due from GovGuam	561,880	228,750	173,742	964,372
Restricted assets:				
Cash and cash equivalents	-	213,511	-	213,511
Time certificates of deposit	-	300,000	-	300,000
Total assets	<u>\$ 2,605,018</u>	<u>\$ 742,261</u>	<u>\$ 173,742</u>	<u>\$ 3,521,021</u>
<b><u>LIABILITIES AND FUND BALANCE</u></b>				
Liabilities:				
Accounts payable	\$ 5,745	\$ -	\$ -	\$ 5,745
Accrued payroll and other liabilities	2,576	-	-	2,576
Unearned revenues	365,981	-	-	365,981
Total liabilities	<u>374,302</u>	<u>-</u>	<u>-</u>	<u>374,302</u>
Fund balance:				
Restricted	-	513,511	-	513,511
Committed	1,968,505	228,750	173,742	2,370,997
Assigned	262,211	-	-	262,211
Total fund balance	<u>2,230,716</u>	<u>742,261</u>	<u>173,742</u>	<u>3,146,719</u>
Total liabilities and fund balance	<u>\$ 2,605,018</u>	<u>\$ 742,261</u>	<u>\$ 173,742</u>	<u>\$ 3,521,021</u>

See Accompanying Independent Auditors' Report.

## CHAMORRO LAND TRUST COMMISSION

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Year Ended September 30, 2017

	Chamorro Land Trust Operations Fund	Chamorro Loan Guarantee Fund	Chamorro Land Trust Survey and Infrastructure Fund	<u>Total</u>
<b>Revenues:</b>				
Lease rentals:				
Commercial	\$ 816,457	\$ -	\$ 11,073	\$ 827,530
Agricultural and residential	-	-	9,041	9,041
Proceeds from sale of land	455,000	-	-	455,000
Collections from Land for the Landless program	-	-	127,865	127,865
Payments in lieu of real property taxes	-	94,955	-	94,955
Land trust application fees	7,000	-	-	7,000
Interest income	<u>2,428</u>	<u>614</u>	<u>-</u>	<u>3,042</u>
<b>Total revenues</b>	<b><u>1,280,885</u></b>	<b><u>95,569</u></b>	<b><u>147,979</u></b>	<b><u>1,524,433</u></b>
<b>Expenditures:</b>				
Salaries and wages - regular	535,347	-	-	535,347
Salaries and wages - fringe benefits	145,755	-	-	145,755
Health benefits	56,436	-	-	56,436
Contractual services	212,100	-	-	212,100
Building rent	124,390	-	-	124,390
Supplies	10,202	-	-	10,202
Capital outlays	221,700	-	-	221,700
Transfer out to General Fund	-	320,105	321,263	641,368
Miscellaneous	<u>5,170</u>	<u>-</u>	<u>-</u>	<u>5,170</u>
<b>Total expenditures</b>	<b><u>1,311,100</u></b>	<b><u>320,105</u></b>	<b><u>321,263</u></b>	<b><u>1,952,468</u></b>
<b>Net change in fund balances</b>	<b>(30,215)</b>	<b>(224,536)</b>	<b>(173,284)</b>	<b>(428,035)</b>
<b>Fund balances at beginning of year</b>	<b><u>2,230,716</u></b>	<b><u>742,261</u></b>	<b><u>173,742</u></b>	<b><u>3,146,719</u></b>
<b>Fund balances at end of year</b>	<b><u>\$ 2,200,501</u></b>	<b><u>\$ 517,725</u></b>	<b><u>\$ 458</u></b>	<b><u>\$ 2,718,684</u></b>

See Accompanying Independent Auditors' Report.

**CHAMORRO LAND TRUST COMMISSION**

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Year Ended September 30, 2016

	Chamorro Land Trust Operations Fund	Chamorro Loan Guarantee Fund	Chamorro Land Trust Survey and Infrastructure Fund	Total
<b>Revenues:</b>				
Lease rentals:				
Commercial	\$ 767,604	\$ -	\$ -	\$ 767,604
Agricultural and residential	3,457	-	-	3,457
Collections from Land for the Landless program	-	-	206,369	206,369
Royalties	83,215	-	-	83,215
Payments in lieu of real property taxes	-	91,646	-	91,646
Land trust application fees	6,250	-	-	6,250
Interest income	1,006	615	-	1,621
<b>Total revenues</b>	<b>861,532</b>	<b>92,261</b>	<b>206,369</b>	<b>1,160,162</b>
<b>Expenditures:</b>				
Salaries and wages - regular	414,455	-	-	414,455
Salaries and wages - fringe benefits	114,531	-	-	114,531
Health benefits	53,266	-	-	53,266
Contractual services	168,168	-	-	168,168
Building rent	124,390	-	-	124,390
Supplies	30,683	-	-	30,683
Capital outlays	-	-	27,592	27,592
Miscellaneous	1,450	-	5,035	6,485
<b>Total expenditures</b>	<b>906,943</b>	<b>-</b>	<b>32,627</b>	<b>939,570</b>
<b>Net change in fund balances</b>	<b>(45,411)</b>	<b>92,261</b>	<b>173,742</b>	<b>220,592</b>
<b>Fund balances at beginning of year</b>	<b>2,276,127</b>	<b>650,000</b>	<b>-</b>	<b>2,926,127</b>
<b>Fund balances at end of year</b>	<b>\$ 2,230,716</b>	<b>\$ 742,261</b>	<b>\$ 173,742</b>	<b>\$ 3,146,719</b>

See Accompanying Independent Auditors' Report.

**CHAMORRO LAND TRUST COMMISSION**

Supplemental Schedule of Employees and Salaries  
Years Ended September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Salaries and wages - regular	<u>\$ 535,347</u>	<u>\$ 414,455</u>
Number of employees:		
Land Agents	6	8
Records Management	1	1
Other Administrative Staff	4	4
Engineering Technician	<u>3</u>	<u>3</u>
Total number of employees	<u>14</u>	<u>16</u>

See Accompanying Independent Auditors' Report.

## INDEPENDENT AUDITORS' 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

Board of Commissioners  
Chamorro Land Trust Commission

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 Chamorro Land Trust Commission (the Commission), which comprise the balance sheet as of September 30, 2017, and the related statement of revenues, expenditures and changes in fund balance for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 23, 2018.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Commission'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 Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission'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 detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be significant deficiencies. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as item 2017-001, which we consider to be material weaknesses.

## **Compliance and Other Matters**

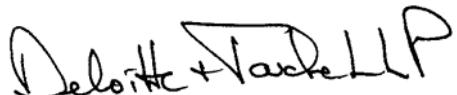
As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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*.

## **The Commission's Responses to Findings**

The Commission's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The Commission's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## **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.

A handwritten signature in black ink that reads "Deloitte + Haskel LLP". The "D" in "Deloitte" and the "H" in "Haskel" are capitalized and stylized. A small "LLP" is written at the end of the name.

April 23, 2018

## CHAMORRO LAND TRUST COMMISSION

### Schedule of Findings and Responses Year Ended September 30, 2017

#### Finding No. 2017-001

##### Rental Lease Agreement

Criteria: Office space should be supported by an underlying lease agreement identifying the terms and conditions of the landlord/tenant relationship and the responsibilities of the respective parties.

Condition: During the year ended September 30, 2017, the Commission occupied certain office space at a cost of \$10,365 per month. No underlying lease agreement was available supporting the monthly rent expenditure. Instead, an Invitation For Bid in the name of the Department of Land Management, dated April 16, 2010, was provided indicating rental cost of \$58,327 per month.

Cause: The cause of the above condition is the lack of a negotiated lease agreement.

Effect: The effect of the above condition is the possibility of unauthorized expenditures.

Recommendation: We recommend that the Department of Land Management enter into a formal office space lease agreement that incorporates the office space utilized by the Commission.

Prior Year Status: The lack of a formal office space lease agreement was reported as a finding in the audits of the Commission for fiscal years 2013 through 2016.

Auditee Response and Corrective Action Plan: The Chamorro Land Trust Commission (CLTC) was unable to obtain a formal office space lease agreement in FY2017. Although, CLTC will ensure to obtain a formal office space lease agreement in future Invitation For Bids related to office space rental.

**CHAMORRO LAND TRUST COMMISSION**

Unresolved Prior Audit Findings  
Year Ended September 30, 2017

The status of unresolved prior year findings is discussed in Schedule of Findings and Responses section of this report.