

**CHAMORRO LAND TRUST COMMISSION**

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

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

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**YEARS ENDED SEPTEMBER 30, 2016 AND 2015**

# CHAMORRO LAND TRUST COMMISSION

Years Ended September 30, 2016 and 2015  
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## **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, 2016 and 2015, 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, 2016 and 2015, 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*

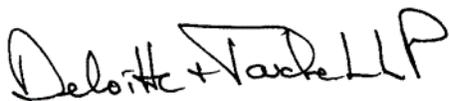
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 7 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting 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 combining financial statement information on pages 18 through 21 and the schedule of employees and salaries on page 22 are presented for purposes of additional analysis and are not a required part of the financial statements. The combining financial statement information and the schedule of employees and salaries are the responsibility of the Commission's management and were derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2017, 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.



May 10, 2017

# CHAMORRO LAND TRUST COMMISSION

Management's Discussion and Analysis  
September 30, 2016 and 2015

## 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 FY 2016 is the fifth audit conducted since CLTC was codified into law and made possible with collaborative efforts by the CLTC Board, Management, Employees 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, 2016 and 2015. 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 \$3,146,719 at the close of fiscal year 2016 as compared to \$2,926,127 at the close of fiscal year 2015.
- Total assets at September 30, 2016 increased by \$375,255 as compared to September 30, 2015.
- Total liabilities at September 30, 2016 increased by \$154,663 as compared to September 30, 2015.
- Total fund balance at September 30, 2016 increased by \$220,592 as compared to September 30, 2015.
- Total revenues of \$1,160,162 for fiscal year 2016 increased by \$110,761 as compared to \$1,049,401 for fiscal year 2015. Total expenditures of \$939,570 for fiscal year 2016 increased by \$273,251 as compared to \$666,319 for fiscal year 2015.

### 2. Overview of the Financial Statements

CLTC's financial statements include all activities of the Chamorro Land Trust Operations Fund and the Chamorro Loan Guarantee Fund. The financial statements include a Balance Sheet and Statements of Revenues, Expenditures, and Changes in Fund Balance for Fiscal Year 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, 2015 is set forth in the report on the audit of CLTC's financial statements dated May 13, 2016. That Discussion and Analysis explains the major factors impacting the 2015 financial statements and may be obtained from the contact information below.

### 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 year ending September 30, 2016, 2015 and 2014.

**CHAMORRO LAND TRUST COMMISSION**

Management's Discussion and Analysis  
September 30, 2016 and 2015

**Balance Sheets**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>ASSETS</u>			
Assets:			
Cash and cash equivalents	\$ 1,716,450	\$ 426,239	\$ 1,990,705
Receivables, net	326,688	238,135	199,182
Due from GovGuam	964,372	1,968,496	3,835
Restricted assets	<u>513,511</u>	<u>512,896</u>	<u>512,282</u>
Total Assets	\$ <u>3,521,021</u>	\$ <u>3,145,766</u>	\$ <u>2,706,004</u>
<u>LIABILITIES AND FUND BALANCE</u>			
Liabilities:			
Accounts payable	\$ 5,745	\$ 160	\$ 26,120
Accrued payroll and other liabilities	2,576	3,058	8,874
Unearned revenues	<u>365,981</u>	<u>216,421</u>	<u>127,965</u>
Total Liabilities	<u>374,302</u>	<u>219,639</u>	<u>162,959</u>
Fund balance:			
Restricted <sup>1</sup>	513,511	512,896	512,282
Committed <sup>2</sup>	2,370,997	2,412,476	2,030,158
Assigned <sup>3</sup>	<u>262,211</u>	<u>755</u>	<u>605</u>
Total Fund Balance	<u>3,146,719</u>	<u>2,926,127</u>	<u>2,543,045</u>
Total Liabilities and Fund Balance	\$ <u>3,521,021</u>	\$ <u>3,145,766</u>	\$ <u>2,706,004</u>

Total Fund Balance increased by \$220,592 at the end of fiscal year 2016 due to the following:

- Total assets increased by \$375,255 in 2016 compared to 2015, primarily due to an increase in cash and cash equivalents, and commercial receivables offset by a decrease in amounts due from GovGuam's General Fund.
  - Total liabilities increased by \$154,663 in 2016 compared to 2015, primarily due to an increase in unearned revenues.
1. The Fund Balance Restricted amount of \$513,511 represents the total Time Certificate Deposits, Checking account balances and Payment in Lieu of Real Property Taxes. These funds have been constrained to fulfill CLTC's financial requirement for the Home Loan Guarantees issued by CLTC with Guam Housing Corporation and the Small Business Administration.
  2. The Fund Balance Committed amount of \$2,370,997 represents funds constrained by law for the operations of CLTC. These funds cannot be used for any other purpose unless constraint is removed by the Guam Legislature through Public Law.
  3. The Fund Balance Assignment amount of \$262,211 represents funds that have been encumbered and intended for CLTC operations in their respective fiscal year.

**CHAMORRO LAND TRUST COMMISSION**

Management's Discussion and Analysis  
September 30, 2016 and 2015

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Revenues:			
Lease rentals	\$ 771,061	\$ 830,677	\$ 537,988
Collections from Land for the Landless program	206,369	-	-
Payment In Lieu of Real Property Taxes	91,646	59,286	77,817
Royalties	83,215	153,662	250,934
Land trust application fees	6,250	4,400	6,650
Interest income	<u>1,621</u>	<u>1,376</u>	<u>3,543</u>
 Total revenues	 <u>1,160,162</u>	 <u>1,049,401</u>	 <u>876,932</u>
Expenditures:			
Salaries and wages - regular	414,455	276,315	270,841
Salaries and wages - fringe benefits	114,531	82,201	80,359
Health benefits	53,266	32,638	37,265
Contractual services	168,168	139,850	119,348
Building rent	124,390	124,390	67,098
Supplies	30,683	8,735	4,070
Capital outlays	27,592	-	-
Miscellaneous	<u>6,485</u>	<u>2,190</u>	<u>1,500</u>
 Total expenditures	 <u>939,570</u>	 <u>666,319</u>	 <u>580,481</u>
 Net change in fund balances	 220,592	 383,082	 296,451
 Fund balances at beginning of year	 <u>2,926,127</u>	 <u>2,543,045</u>	 <u>2,246,594</u>
 Fund balances at end of year	 \$ <u>3,146,719</u>	 \$ <u>2,926,127</u>	 \$ <u>2,543,045</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 \$206,369 in 2016.

CLTC real property taxes increased by \$32,360 in 2016 compared to 2015. This is due to the increase in real property tax collections.

Lease rental revenues decreased by \$59,616 in 2016 compared to 2015. This is primarily the result of past-due lease payments of the Guam Racing Federation, Guam International Country Club, and United States Postal Services.

Total revenues in 2016 increased by \$110,761 from \$1,160,162 compared to \$1,049,401 in 2015. This is due to the increase in real property tax collection and payments received from the Land for the Landless program.

Total expenditures in 2016 increased by \$273,251 from \$939,570 in 2016 compared to \$666,319 in 2015. The increase is primarily due to salaries and wages expenditures associated with an increase in the number of CLTC land agents.

## CHAMORRO LAND TRUST COMMISSION

Management's Discussion and Analysis  
September 30, 2016 and 2015

### **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. The declaration, as required by law, is through a board resolution. Furthermore, the resolution shall be submitted to the I Liheslaturan Guåhan no later than thirty (30) days from the date of the approval of the resolution. Once all the administrative requirements have been fulfilled, the award of a commercial lease/license will be awarded through a competitive bid process.

CLTC has about 33% of Government of Guam property in its property inventory, which is attributed from an administrative transfer. In 1995, 11,244.92 acres was transferred to CLTC. In 1997, 183.14 acres was removed by Public Law 23-100 and Public Law 24-15. As a result, 11,061.78 acres was made available for lease purposes. Of those, 4,070.10 acres was located in the southern portion of the island, 1,297.54 acres in the central, and 5,694.14 acres located in the northern part of Guam. In 1983, a land use plan was put in place and at the end of FY 2016 that plan is still being utilized by CLTC. Tasked to oversee such an enormous property inventory, the Commission consists of a five-member board and an administrative director with a staff of sixteen (16) employees at the end of FY 2016.

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 CLTC Survey and Infrastructure Fund. Unfortunately, a few funds are dormant and unfunded, which has not allowed CLTC to fully perform all its mandates.

As of September 30, 2016, CLTC has qualified a total of 11,394 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 FY2016, CLTC issued 62 leases granted through the Agriculture and Residential programs. Furthermore, CLTC at the end of FY2016 had leased a combined total acreage of 2,901.89 through its residential and agriculture programs and 691.13 acres through its commercial program. The only new commercial lease entered in 2016 was with LKC Farmers Corporation. Moreover, a number of lots leased through the residential and agricultural programs were not readily available with basic infrastructure and property surveys. Also, some properties were unregistered. Later, it was determined that unregistered property accounted for 3,545.23 acres of CLTC's 11,061.78 acres in inventory.

During FY2016, CLTC continued to place emphasis on the Home Loan Guarantee Program to ensure that constituents with Loan Guarantees are up to date with their mortgage payments. The working dialogue created between CLTC, the United States Small Business Administration (SBA) and the Guam Housing Corporation (GHC) from previous years has been beneficial to CLTC. In FY2016, CLTC's Home Loan Guaranty Program liability increased to \$8,798,666. This is primarily due to the issuance of six (6) loan guarantees and updating the payoff balances on existing loan guarantees. 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." In FY2016, CLTC reassigned two leases with loan guarantees to new lessees who assumed the land and lease-hold improvements and the preexisting loans with the concurrence of the respective lending institutions.

## CHAMORRO LAND TRUST COMMISSION

Management's Discussion and Analysis  
September 30, 2016 and 2015

FY2016 is the second 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. As a result, CLTC's monitoring of collections and accounts receivables has improved.

On May 2016, the Memorandum of Agreement between CLTC and Department of Revenue and Taxation (DRT) was approved. The MOU has been beneficial to CLTC in terms of real property a tax collection, which is evident because of the increase in real property tax collections in FY2016.

FY2016 was another productive year for CLTC and its constituents. CLTC continues to struggle to obtain the necessary resources to address the challenges of its properties being leased without basic infrastructure. Moreover, constituents are still burdened with the cost for property surveys. Consequently, CLTC's ability to lease more property and reduce the total number of applicants pending leases has been limited.

### **5. Outlook**

The CLTC board of commissioners and administrative director have explored alternatives to increase the number of residential and agricultural leases annually. As a result, in FY2017 CLTC will utilize the subdivision master plans created and recorded with the cohesive efforts by DLM's Survey Division and CLTC to issue leases. This will increase the number of leases issued but the lands still remain subject to survey. Moreover, CLTC will explore the option of requesting to merge funds to create one general fund for CLTC. After two consecutive budget request rejections to fund for the mass survey of CLTC lands by the Legislature, CLTC has a bill introduced to appropriate funding for surveys for a five-year period. When the bill is enacted, it will allow CLTC to fully survey leased and non-leased lands not yet surveyed using the approved and recorded subdivision master plans. Last but not least, CLTC will continue to keep an open door with constituents to understand their concerns and work together to find sound solutions for the issues in providing land for residential and agriculture leases with basic infrastructure.

### **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, 2016 and 2015

	2016	2015
<u>ASSETS</u>		
Cash and cash equivalents	\$ 1,716,450	\$ 426,239
Receivables, net:		
Commercial	326,688	238,135
Due from GovGuam	964,372	1,968,496
Restricted assets:		
Cash and cash equivalents	213,511	212,896
Time certificates of deposit	300,000	300,000
Total assets	\$ 3,521,021	\$ 3,145,766
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities:		
Accounts payable	\$ 5,745	\$ 160
Accrued payroll and other liabilities	2,576	3,058
Unearned revenues	365,981	216,421
Total liabilities	374,302	219,639
Commitments and contingencies		
Fund balance:		
Restricted	513,511	512,896
Committed	2,370,997	2,412,476
Assigned	262,211	755
Total fund balance	3,146,719	2,926,127
Total liabilities and fund balance	\$ 3,521,021	\$ 3,145,766

See accompanying notes to financial statements.

**CHAMORRO LAND TRUST COMMISSION**

Statements of Revenues, Expenditures, and Changes in Fund Balances  
Years Ended September 30, 2016 and 2015

	2016	2015
Revenues:		
Lease rentals:		
Commercial	\$ 767,604	\$ 826,250
Agricultural and residential	3,457	4,427
Collections from Land for the Landless program	206,369	-
Payment in lieu of real property taxes	91,646	59,286
Royalties	83,215	153,662
Land trust application fees	6,250	4,400
Interest income	1,621	1,376
Total revenues	1,160,162	1,049,401
Expenditures:		
Salaries and wages - regular	414,455	276,315
Salaries and wages - fringe benefits	114,531	82,201
Health benefits	53,266	32,638
Contractual services	168,168	139,850
Building rent	124,390	124,390
Supplies	30,683	8,735
Capital outlays	27,592	-
Miscellaneous	6,485	2,190
Total expenditures	939,570	666,319
Net change in fund balances	220,592	383,082
Fund balances at beginning of year	2,926,127	2,543,045
Fund balances at end of year	\$ 3,146,719	\$ 2,926,127

See accompanying notes to financial statements.

## CHAMORRO LAND TRUST COMMISSION

Notes to Financial Statements  
September 30, 2016 and 2015

### (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, 2016 and 2015, GovGuam's Department of Revenue and Taxation collected \$91,646 and \$59,286, respectively, in real property taxes associated with Chamorro Homelands.

## CHAMORRO LAND TRUST COMMISSION

Notes to Financial Statements  
September 30, 2016 and 2015

### (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 year ended September 30, 2016, the CLTC collected \$206,369, 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, 2016 and 2015

### (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, 2016 and 2015, the carrying amount of the CLTC's cash and time certificates of deposit was \$2,229,961 and \$939,135, respectively, and the corresponding bank balances were \$2,229,961 and \$939,135, respectively, which are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2016 and 2015, 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, 2016 and 2015

### (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, 2016 and 2015, the CLTC has encumbrances of \$262,211 and \$755, respectively.

#### New Accounting Standards

During the year ended September 30, 2016, the CLTC implemented the following pronouncements:

- GASB Statement No. 72, *Fair Value Measurement and Application*, which addresses accounting and financial reporting issues related to fair value measurements and requires entities to expand their fair value disclosures by determining major categories of debt and equity securities within the fair value hierarchy on the basis of the nature and risk of the investment. The implementation of this statement did not have a material effect on the accompanying financial statements.
- GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which eliminates two of the four categories of authoritative GAAP that exist under the existing hierarchy prescribed by Statement No. 55. The two categories that will remain under the new standard are (1) GASB Statements and (2) GASB technical bulletins and implementation guides in addition to AICPA guidance that the GASB clears. The implementation of this statement did not have a material effect on the accompanying financial statements.
- GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, addresses for certain external investment pools and their participants the accounting and financial reporting implications that result from changes in the regulatory provisions referenced by previous accounting and financial reporting standards. Those provisions were based on the Investment Company Act of 1940, Rule 2a7. Rule 2a7 contains the Securities and Exchange Commission's regulations that apply to money market funds and were significantly amended in 2014. The implementation of this statement did not have a material effect on the accompanying financial statements.

## CHAMORRO LAND TRUST COMMISSION

Notes to Financial Statements  
September 30, 2016 and 2015

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

#### New Accounting Standards, Continued

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement No. 68*, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68, which aligns the reporting requirements for pensions and pension plans not covered in GASB Statements No. 67 and No. 68 with the reporting requirements in Statement No. 68. The provisions in Statement No. 73 are effective for fiscal years beginning after June 15, 2016. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In June 2015, GASB issued 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). The provisions in Statement No. 74 are effective for fiscal years beginning after June 15, 2016. Management does not believe that the implementation of this statement will have a material effect on the 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 August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*, which requires governments that enter into tax abatement agreements to disclose certain information about the agreements. The provisions in Statement No. 77 are effective for fiscal years beginning after December 15, 2015. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In December 2015, GASB issued 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*. The provisions in Statement No. 78 are effective for fiscal years beginning after December 15, 2015. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In January 2016, GASB issued 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. The provisions in Statement No. 80 are effective for fiscal years beginning after June 15, 2016. 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, 2016 and 2015

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

#### New Accounting Standards, Continued

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 March 2016, GASB issued 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 provisions in Statement No. 82 are effective for fiscal years beginning after June 15, 2016. Management does not believe that 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, 2016 and 2015, including the applicable allowance for uncollectible accounts, are as follows:

	<u>2016</u>	<u>2015</u>
Receivables:		
Lease rentals	\$ 455,488	\$ 314,135
Less allowance for uncollectible accounts	<u>(128,800)</u>	<u>(76,000)</u>
	<u>\$ 326,688</u>	<u>\$ 238,135</u>

### (5) Restricted Assets

The CLTC maintains a savings deposit and time certificates of deposit as of September 30, 2016 and 2015 in the amount of \$513,511 and \$512,896, 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.

**CHAMORRO LAND TRUST COMMISSION**

Notes to Financial Statements  
September 30, 2016 and 2015

(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.

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, 2016 and 2015, such land is valued at \$436,097,702 and \$423,752,438, respectively, of which \$427,811,501 and \$416,992,544, 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.

(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, 2016 and 2015, the CLTC recognized revenues from two customers that represented approximately 77% and 64%, 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:

<u>Year Ending</u> <u>September 30,</u>	
2017	\$ 869,287
2018	849,006
2019	825,245
2020	838,187
2021	820,401
2022 - 2026	3,903,043
2027 - 2031	3,871,383
2032 - 2036	3,369,783
2037 - 2041	928,088
2042 - 2046	18,000
2047	<u>1,800</u>
	\$ <u>16,294,223</u>

## CHAMORRO LAND TRUST COMMISSION

Notes to Financial Statements  
September 30, 2016 and 2015

### (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, 2016, 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 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 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 provision have been recorded in the accompanying financial statements.

**CHAMORRO LAND TRUST COMMISSION**

Combining Balance Sheet  
September 30, 2016

	<u>Chamorro Land Trust Operations Fund</u>	<u>Chamorro Loan Guarantee Fund</u>	<u>Chamorro Land Trust Survey and Infrastructure Fund</u>	<u>Total</u>
<u>ASSETS</u>				
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	<u>-</u>	<u>300,000</u>	<u>-</u>	<u>300,000</u>
Total assets	<u>\$ 2,605,018</u>	<u>\$ 742,261</u>	<u>\$ 173,742</u>	<u>\$ 3,521,021</u>
<u>LIABILITIES AND FUND BALANCE</u>				
Liabilities:				
Accounts payable	\$ 5,745	\$ -	\$ -	\$ 5,745
Accrued payroll and other liabilities	2,576	-	-	2,576
Unearned revenues	<u>365,981</u>	<u>-</u>	<u>-</u>	<u>365,981</u>
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	<u>262,211</u>	<u>-</u>	<u>-</u>	<u>262,211</u>
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 Balance Sheet  
September 30, 2015

	Chamorro Land Trust Operations Fund	Chamorro Loan Guarantee Fund	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 426,239	\$ -	\$ 426,239
Receivables:			
Commercial	238,135	-	238,135
Due from GovGuam	1,831,392	137,104	1,968,496
Restricted assets:			
Cash and cash equivalents	-	212,896	212,896
Time certificates of deposit	<u>-</u>	<u>300,000</u>	<u>300,000</u>
Total assets	<u>\$ 2,495,766</u>	<u>\$ 650,000</u>	<u>\$ 3,145,766</u>
<u>LIABILITIES AND FUND BALANCE</u>			
Liabilities:			
Accounts payable	\$ 160	\$ -	\$ 160
Accrued payroll and other liabilities	3,058	-	3,058
Unearned revenues	<u>216,421</u>	<u>-</u>	<u>216,421</u>
Total liabilities	<u>219,639</u>	<u>-</u>	<u>219,639</u>
Fund balance:			
Restricted	-	512,896	512,896
Committed	2,275,372	137,104	2,412,476
Assigned	<u>755</u>	<u>-</u>	<u>755</u>
Total fund balance	<u>2,276,127</u>	<u>650,000</u>	<u>2,926,127</u>
Total liabilities and fund balance	<u>\$ 2,495,766</u>	<u>\$ 650,000</u>	<u>\$ 3,145,766</u>

See Accompanying Independent Auditors' Report.

**CHAMORRO LAND TRUST COMMISSION**

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

	<u>Chamorro Land Trust Operations Fund</u>	<u>Chamorro Loan Guarantee Fund</u>	<u>Chamorro Land Trust Survey and Infrastructure Fund</u>	<u>Total</u>
Revenues:				
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	<u>1,006</u>	<u>615</u>	<u>-</u>	<u>1,621</u>
Total revenues	<u>861,532</u>	<u>92,261</u>	<u>206,369</u>	<u>1,160,162</u>
Expenditures:				
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	<u>1,450</u>	<u>-</u>	<u>5,035</u>	<u>6,485</u>
Total expenditures	<u>906,943</u>	<u>-</u>	<u>32,627</u>	<u>939,570</u>
Net change in fund balances	(45,411)	92,261	173,742	220,592
Fund balances at beginning of year	<u>2,276,127</u>	<u>650,000</u>	<u>-</u>	<u>2,926,127</u>
Fund balances at end of year	<u>\$ 2,230,716</u>	<u>\$ 742,261</u>	<u>\$ 173,742</u>	<u>\$ 3,146,719</u>

See Accompanying Independent Auditors' Report.

**CHAMORRO LAND TRUST COMMISSION**

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Year Ended September 30, 2015

	<u>Chamorro Land Trust Operations Fund</u>	<u>Chamorro Loan Guarantee Fund</u>	<u>Total</u>
Revenues:			
Lease rentals:			
Commercial	\$ 826,250	\$ -	\$ 826,250
Agricultural and residential	4,427	-	4,427
Royalties	153,662	-	153,662
Payments in lieu of real property taxes	-	59,286	59,286
Land trust application fees	4,400	-	4,400
Interest income	<u>761</u>	<u>615</u>	<u>1,376</u>
Total revenues	<u>989,500</u>	<u>59,901</u>	<u>1,049,401</u>
Expenditures:			
Salaries and wages - regular	276,315	-	276,315
Salaries and wages - fringe benefits	82,201	-	82,201
Health benefits	32,638	-	32,638
Contractual services	139,850	-	139,850
Building rent	124,390	-	124,390
Supplies	8,735	-	8,735
Miscellaneous	<u>2,190</u>	<u>-</u>	<u>2,190</u>
Total expenditures	<u>666,319</u>	<u>-</u>	<u>666,319</u>
Net change in fund balances	323,181	59,901	383,082
Fund balances at beginning of year	<u>1,952,946</u>	<u>590,099</u>	<u>2,543,045</u>
Fund balances at end of year	<u>\$ 2,276,127</u>	<u>\$ 650,000</u>	<u>\$ 2,926,127</u>

See Accompanying Independent Auditors' Report.

**CHAMORRO LAND TRUST COMMISSION**

Supplemental Schedule of Employees and Salaries  
Years Ended September 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Salaries and wages - regular	\$ 414,455	\$ 276,315
Number of employees:		
Land Agents	8	6
Planner	-	1
Records Management	1	1
Other Administrative Staff	4	4
Engineering Technician	<u>3</u>	<u>1</u>
Total number of employees	<u>16</u>	<u>13</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 or CLTC), which comprise the balance sheet as of September 30, 2016, 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 May 10, 2017.

### **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 2016-001, which we consider to be material weaknesses.

## Compliance and Other Matters

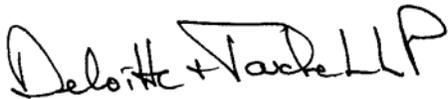
As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

## CLTC's Responses to Findings

CLTC's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. CLTC'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 + Tatchell LLP". The signature is written in a cursive, flowing style.

May 10, 2017

## CHAMORRO LAND TRUST COMMISSION

### Schedule of Findings and Responses Year Ended September 30, 2016

#### Finding No. 2016-001

#### 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, 2016, the CLTC 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 CLTC.

#### Prior Year Status:

The lack of a formal office space lease agreement was reported as a finding in the audits of the CLTC for fiscal years 2013 through 2015.

#### Auditee Response and Corrective Action Plan:

While this is a repeated finding for the last several audits, in each report we have noted that the Governor of Guam's Reorganization Advisory No. 9, dated October 1, 2012, consolidated the activities of the Chamorro Land Trust Commission (CLTC) with the Department of Land Management (DLM). The reorganization sought to reduce redundancies; consolidate services, functions and resources; and eliminate duplicate costs. In each and every past audit identifying this matter as a finding, CLTC has emphasized its actions in working with the Department of Administration, the General Services Agency, and the Office of the Attorney General to develop a separate lease agreement for the existing rental space it shares with the Department of Land Management. In each case, CLTC has been in compliance with the Government's policies and regulations in relation to the procurement of office rental space. ITC Management will provide a formal lease agreement to the Department of Land Management in FY 2017.

**CHAMORRO LAND TRUST COMMISSION**

Schedule of Findings and Responses, Continued  
Year Ended September 30, 2016

Finding No. 2016-001, Continued

Rental Lease Agreement, Continued

Auditee Response and Corrective Action Plan:, Continued

The recommended action noted above can be completely contrary to the mandates of the Reorganization Advisory. Notably, the act of engaging in a procurement process may result in accepting an offer that is physically separate from the premises currently used. The integration of the CLTC with DLM in terms of personnel, services, and material has brought tremendous strides in and improvement to CLTC. Improvements such as the proper identification of all leased land parcels previously identified as "portions of"; the coordination with the Department of Revenue and Taxation to ensure lease lands are properly taxed; the surveying and processing of unregistered lands to be registered are all elements of a combined and cohesive unit created as a result of the Reorganization Advisory. The Chamorro Land Trust Commission is now a viable and lawful element under the umbrella of the Department of Land Management and the use of portions of its leased office space has been defined as compliant and within the acceptable procurement processes.

**CHAMORRO LAND TRUST COMMISSION**

Unresolved Prior Audit Findings  
Year Ended September 30, 2016

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