

CHAMORRO LAND TRUST COMMISSION

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

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

YEARS ENDED SEPTEMBER 30, 2019 AND 2018

CHAMORRO LAND TRUST COMMISSION

Years Ended September 30, 2019 and 2018
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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 (CLTC), which comprise the balance sheets as of September 30, 2019 and 2018, 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 CLTC as of September 30, 2019 and 2018, 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 CLTC and are not intended to present fairly the financial position and results of operations of the Government of Guam in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that 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.

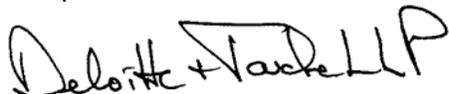
Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The 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 CLTC'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 17 through 20 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 21 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 June 4, 2020, on our consideration of the CLTC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the CLTC's 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 CLTC's internal control over financial reporting and compliance.



June 4, 2020

CHAMORRO LAND TRUST COMMISSION

Management's Discussion and Analysis
September 30, 2019 and 2018

INTRODUCTION

CHamoru Land Trust Commission (CLTC) is a governmental fund of the Government of Guam (GovGuam), currently located at 590 South Marine Corps Drive, Ste 222, ITC Building, Tamuning, Guam 96913.

The CLTC was created through Public Law (PL) 12-226. The CLTC's primary mission is to lease Chamorro Homelands to native Chamorro as defined by the Organic Act. 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 the GovGuam Department of Land Management (DLM) along with the Guam Ancestral Lands Commission. On January 16, 2019, the Governor of Guam issued Executive Order 2019-01 re-establishing the CLTC as a separate agency from DLM and the re-establishment of its Administrative Director position.

The CLTC's Management's Discussion and Analysis (MD&A) provides an overview of CLTC's financial activities for the fiscal years ended September 30, 2019 and 2018. 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 \$3,064,121 at the close of fiscal year 2019 as compared to \$2,767,889 at the close of fiscal year 2018.
- Total assets on September 30, 2019 increased by \$31,880 (or 0.8%) as compared to September 30, 2018.
- Total liabilities on September 30, 2019 decreased by \$264,352 (or 26.4%) as compared to September 30, 2018.
- Total fund balance on September 30, 2019 increased by \$296,232 (or 10.7%) as compared to September 30, 2018.
- Total revenues of \$1,240,533 for fiscal year 2019 increased by \$227,161 (or 22.4%) as compared to \$1,013,372 for fiscal year 2018. Total expenditures of \$944,301 for fiscal year 2019 decreased by \$19,866 (or 2.1%) as compared to \$964,167 for fiscal year 2018. This resulted in an increase in the fund balance of \$296,232 for fiscal year 2019 as compared to \$49,205 for fiscal year 2018.

2. Overview of the Financial Statements

CLTC's financial statements include all of the activities of Land Trust Operations Fund, Loan Guarantee Fund, and 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 2019 and 2018.

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

CHAMORRO LAND TRUST COMMISSION

Management's Discussion and Analysis, Continued September 30, 2019 and 2018

3. Financial Statement Analysis

Management's Discussion and Analysis for the year ended September 30, 2018 is set forth in CLTC's report on the audit of financial statements, which is dated May 16, 2019. That Management Discussion and Analysis explains the major factors impacting the 2018 financial statements and may be obtained from the contact information below.

CLTC's Balance Sheets

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 as of September 30, 2019 as compared as of September 30, 2018 and 2017.

	2019	2018	Total Percentage Change 2019-2018	2017
Cash and cash equivalents	\$ 2,234,298	\$ 2,612,362	(14.5)%	\$ 2,066,644
Receivables, net	624,724	516,904	20.9%	398,451
Due from GovGuam	301,352	-		222,155
Restricted assets	<u>641,348</u>	<u>640,576</u>	0.1%	<u>514,125</u>
Total assets	<u>3,801,722</u>	<u>3,769,842</u>	0.8%	<u>3,201,375</u>
Accrued liabilities	32,581	23,650	37.8%	27,109
Due to GovGuam	-	427,608	(100.0)%	-
Unearned revenue	<u>705,020</u>	<u>550,695</u>	28.0%	<u>455,582</u>
Total liabilities	<u>737,601</u>	<u>1,001,953</u>	(26.4)%	<u>482,691</u>
Fund balance:				
Restricted	641,348	640,576	0.1%	514,125
Committed	2,402,402	2,123,129	13.2%	2,200,094
Assigned	<u>20,371</u>	<u>4,184</u>	386.9%	<u>4,465</u>
Total fund balance	<u>\$ 3,064,121</u>	<u>\$ 2,767,889</u>	10.7%	<u>\$ 2,718,684</u>

The GovGuam General Fund records transactions on behalf of the CLTC for goods provided or services rendered. A receivable from or payable to the GovGuam General Fund is the 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.

Total assets increased marginally by \$31,880 (or 0.8%) in 2019 compared to 2018 primarily due to the increase in receivables from the GovGuam General Fund offset by the decrease in cash and cash equivalents. Concurrently, total liabilities decreased by \$264,352 (or 26.4%) in 2019 compared to 2018 primarily due to the decrease in payables to the GovGuam General Fund offset by the increase in unearned revenue. The decrease in cash and cash equivalents is primarily the result of the settlement of the prior year payable to the GovGuam General Fund. The increase in unearned revenue is due to lease rental revenue accrued that does not meet the revenue recognition criteria under the modified accrual basis of accounting. Total fund balance increased by \$296,232 (or 10.7%) in 2019 compared to 2018 primarily due to the increase in revenues received from land sale. In 2019, the CLTC transacted four separate land sales compared with one sale in 2018.

CHAMORRO LAND TRUST COMMISSION

Management's Discussion and Analysis, Continued
September 30, 2019 and 2018

3. Financial Statement Analysis, Continued

CLTC's Statements of Revenues, Expenditures and Changes in Fund Balances

The statement of revenues, expenditures and changes in fund balance discloses information on CLTC's revenues and expenditures for the year. The condensed summary of CLTC's revenues and expenditures shown below for the year ended September 30, 2019 as compared with the years ended September 30, 2018 and 2017.

	2019	2018	Total Percentage Change 2019-2018	2017
Revenues:				
Lease rentals	\$ 828,389	\$ 835,901	(0.9)%	\$ 836,571
Payment in lieu of taxes	147,635	128,748	15%	94,955
Proceeds from sale of land	250,300	17,209	1354.5%	455,000
Other	14,209	31,514	(54.9)%	137,907
Total revenues	<u>1,240,533</u>	<u>1,013,372</u>	22.4%	<u>1,524,433</u>
Expenditures:				
Salaries, wages and benefits	721,619	642,075	12.4%	737,538
Contractual services	51,209	147,807	(65.4)%	212,100
Building rent	124,390	124,390	0.0%	124,390
Other	47,083	49,895	(5.6)%	878,440
Total expenditures	<u>944,301</u>	<u>964,167</u>	(2.1)%	<u>1,952,468</u>
Change in fund balance	296,232	49,205	502.0%	(428,035)
Fund balance - beginning	<u>2,767,889</u>	<u>2,718,684</u>	1.8%	<u>3,146,719</u>
Fund balance - ending	<u>\$ 3,064,121</u>	<u>\$ 2,767,889</u>	10.7%	<u>\$ 2,718,684</u>

Total revenues increased by \$227,161 (or 22.4%) from \$1,013,372 in 2018 to \$1,240,533 in 2019. The increase in revenues for 2019 was primarily due to an increase in proceeds from sale of land. In 2019, the CLTC sold four parcels of land – two lots located in Hagatna, one lot in Dededo and one lot in Piti.

Total expenditures decreased by \$19,866 (or 2.1%) from \$964,167 in 2018 to \$944,301 in 2019. The decrease in expenditures for 2019 was primarily due to a decrease in contractual services expenditures partially offset by an increase in salaries, wages and benefits. Contractual services expenditures decreased by \$96,598 (or 65.4%) from \$147,807 in 2018 to \$51,209 in 2019 while salaries, wages and benefits increased by \$79,544 (or 12.4%) from \$642,075 in 2018 to \$721,619 in 2019. These changes were the direct result of the Governor of Guam's Executive Order 2019-01 re-establishing the CLTC as a separate agency from DLM and the re-establishment of its Administrative Director position.

CHAMORRO LAND TRUST COMMISSION

Management's Discussion and Analysis, Continued
September 30, 2019 and 2018

4. Challenges and Accomplishments

The CLTC's mission is to act as the administrator of all available Government Lands that has assumed the status of Chamorro homelands guided by the Chamorro Land Trust Act. The CLTC administers about 33% of Government of Guam property which was transferred into the CLTC through an administrative transfer in 1995. As of September 30, 2019, the CLTC's land inventory totaled 11,668.38 acres. Of this, 4,153.48 acres are in the south; 1,602.95 acres are in the central; and 5,911.95 acres are in the north. Furthermore, 3,274.98 acres of the CLTC inventory is unregistered property which the law prohibits any leasing and use until a title of ownership is established through judicial land registration. The CLTC continues to work with the Office of the Attorney General and the GovGuam Department of Land Management to register all property rightfully and lawfully in the CLTC inventory.

The CLTC's three (3) primary leasing programs are residential, agricultural, and commercial. The residential and agricultural programs require potential lessees to apply. These applicants are considered qualified based on submitting documented proof of eligibility and have satisfied the one-time processing fee of \$50 within 30 days as prescribed by law. As of September 30, 2019, the CLTC has qualified a total of 11,671 applicants for its residential and agricultural programs.

Furthermore, as of September 30, 2019, the CLTC had leased a combined total acreage of 3,032.78 acres, which is a decrease of 56.62 acres (or 1.83%) compared to the 3,089.40 acres leased as of September 30, 2018. The decrease is due to the Office of the Attorney General issuing an opinion dated May 11, 2018 that read "there is no authority that allows an applicant during his lifetime to transfer or switch places with another applicant. A lease in violation of this prohibition is null and void." The opinion caused 102 leases to be null and voided. As of September 30, 2019, the CLTC Board of Commissioners corrected and remedied 6 null and voided leases.

The CLTC commercial leasing program is guided by Public Law 33-95 as known as the CHamoru Land Trust Commercial Rules and Regulations. As authorized by law, the CLTC can award commercial leases and licenses that do not exceed 9% of unassigned property in the CLTC's inventory. During 2019, the CLTC did not award any new commercial leases and commercial leased property remained at a total of 607.24 acres.

During 2019, the CLTC issued 3 Home Loan Guarantees. The CLTC's Home Loan Guarantee Program contingent liability stands at \$10,249,338 as of 2019 year end. In 2019, the CLTC continued the working dialogue with the U.S. 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. The CLTC does not foresee any potential defaults or foreclosures 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."

As of September 30, 2019, the federal litigation involving the CLTC was not settled; however, such was subsequently settled in FY 2020. Furthermore, the continued challenge from previous fiscal years of providing survey and basic infrastructure to property leased past and present continued throughout FY 2019. Consequently, the CLTC lessees continued to bear the expenses of surveying and utility connections.

CHAMORRO LAND TRUST COMMISSION

Management's Discussion and Analysis, Continued
September 30, 2019 and 2018

4. Challenges and Accomplishments, Continued

In addition to all the tasks and programs the 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, several funds have been dormant and unfunded which has not enabled the CLTC to perform all its mandates required by law. Furthermore, as of September 30, 2019, the CLTC Board and personnel consisted of 5 Board members, and 14 employees that are tasked with the responsibility of ensuring the CLTC's mandates and day-to-day operations are fulfilled.

COVID-19

In March 2020, the WHO declared the COVID-19 a global pandemic. In the same month, Pres. Trump has declared the state of emergency within the US. In response, the Governor of Guam issued Executive Order 2020-04, ordering closure of all non-essential Government of Guam offices and operations. CLTC has complied and suspended its business operations to the public. While the pandemic may negatively impact the Commission, CLTC management believes that the CLTC revenues will remain steady due to fixed income in nature. While the pandemic may delay the timing of collections in contrast with prior years, it is the opinion of CLTC management that lessees will have adequate time within the next fiscal year to pay their respective rental dues and be recognized as CLTC revenues. Finally, CLTC continues to invoice commercial lessees and licensees and has not granted any rent abatement or rent deferrals.

5. Outlook

The CLTC Board of Commissioners and Administrative Director will continue to work with its attorneys to settle the federal litigation. Additionally, the Board and Administrative Director will develop a Standard Operating Procedure for the issuance of Residential and Agricultural leases to ensure accountability and transparency throughout the process.

6. Contacting the Chamoru Land Trust Commission Financial Management

This report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the CLTC's finances and to show the CLTC's accountability and transparency for the money it receives. Questions concerning any of the information provided in this report or request for additional information should contact Jack E. Hattig III, Administrative Director at (671) 649-5263 ext. 400 or email jack.hattig@cltc.guam.gov.

CHAMORRO LAND TRUST COMMISSION

Balance Sheets
September 30, 2019 and 2018

	2019	2018
<u>ASSETS</u>		
Cash and cash equivalents	\$ 2,234,298	\$ 2,612,362
Receivables, net:		
Commercial	590,948	516,904
Other	33,776	-
Due from GovGuam	301,352	-
Restricted assets:		
Cash and cash equivalents	341,348	340,576
Time certificates of deposit	300,000	300,000
Total assets	\$ 3,801,722	\$ 3,769,842
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities:		
Accrued payroll and other liabilities	\$ 32,581	\$ 23,650
Due to GovGuam	-	427,608
Unearned revenues	705,020	550,695
Total liabilities	737,601	1,001,953
Commitments and contingencies		
Fund balance:		
Restricted	641,348	640,576
Committed	2,402,402	2,123,129
Assigned	20,371	4,184
Total fund balance	3,064,121	2,767,889
Total liabilities and fund balance	\$ 3,801,722	\$ 3,769,842

See accompanying notes to financial statements.

CHAMORRO LAND TRUST COMMISSION

Statements of Revenues, Expenditures, and Changes in Fund Balances
Years Ended September 30, 2019 and 2018

	2019	2018
Revenues:		
Lease rentals:		
Commercial	\$ 826,474	\$ 830,494
Agricultural and residential	1,915	5,407
Proceeds from sale of land	250,300	17,209
Collections from Land for the Landless program	6,365	23,640
Payment in lieu of real property taxes	147,635	128,748
Land trust application fees	3,300	4,200
Interest income	4,544	3,674
Total revenues	1,240,533	1,013,372
Expenditures:		
Salaries and wages - regular	536,315	470,595
Salaries and wages - fringe benefits	142,716	130,711
Health benefits	42,588	40,769
Contractual services	51,209	147,807
Building rent	124,390	124,390
Supplies	3,945	2,421
Capital outlays	-	34,312
Miscellaneous	43,138	13,162
Total expenditures	944,301	964,167
Net change in fund balances	296,232	49,205
Fund balances at beginning of year	2,767,889	2,718,684
Fund balances at end of year	\$ 3,064,121	\$ 2,767,889

See accompanying notes to financial statements.

CHAMORRO LAND TRUST COMMISSION

Notes to Financial Statements
September 30, 2019 and 2018

(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 the GovGuam Department of Land Management along with the Guam Ancestral Lands Commission. On January 16, 2019, the Governor of Guam issued Executive Order 2019-01 re-establishing the CLTC as a separate agency from DLM and the re-establishment of the CLTC Administrative Director position.

(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 the GovGuam 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, 2019 and 2018, the GovGuam Department of Revenue and Taxation collected \$147,635 and \$128,748, respectively, in real property taxes associated with Chamorro Homelands.

CHAMORRO LAND TRUST COMMISSION

Notes to Financial Statements
September 30, 2019 and 2018

(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 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, 2019 and 2018, the CLTC collected \$6,365 and \$23,640, 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.

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, 2019 and 2018, the carrying amount and corresponding bank balances of the CLTC’s cash and time certificates of deposit were \$2,875,646 and \$3,252,938, respectively. Bank balances are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2019 and 2018, 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.

CHAMORRO LAND TRUST COMMISSION

Notes to Financial Statements
September 30, 2019 and 2018

(2) Summary of Significant Accounting Policies, Continued

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, the GovGuam 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.

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.

CHAMORRO LAND TRUST COMMISSION

Notes to Financial Statements
September 30, 2019 and 2018

(2) Summary of Significant Accounting Policies, Continued

Encumbrances

The CLTC utilizes encumbrance accounting to identify fund obligations. Encumbrances represent commitments related to unperformed contracts for goods. At September 30, 2019 and 2018, the CLTC has encumbrances of \$20,371 and \$4,184, respectively.

New Accounting Standards

During the year ended September 30, 2019, the CLTC implemented the following pronouncements:

- GASB 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.
- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements.

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

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The provisions in Statement No. 89 are effective for fiscal years beginning after December 15, 2019. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests - an Amendment of GASB Statements No. 14 and No. 61*, which improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and the relevance of financial statement information for certain component units. The provisions in Statement No. 90 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.

CHAMORRO LAND TRUST COMMISSION

Notes to Financial Statements
September 30, 2019 and 2018

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*, which clarifies the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The provisions in Statement No. 91 are effective for fiscal years beginning after December 15, 2020. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postpones the effective dates of GASB Statement No. 84, 89, 90 and 91 by one year and GASB Statement No. 87 by 18 months; however, earlier application of the provisions addressed in GASB Statement No. 95 is encouraged and is permitted to the extent specified in each pronouncement as originally issued. Management has yet to ascertain whether implementation of these statements will be postponed as provided in GASB Statement No. 95.

(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, 2019 and 2018, including the applicable allowance for uncollectible accounts, are as follows:

	<u>2019</u>	<u>2018</u>
Receivables:		
Commercial lease	\$ 878,148	\$ 751,304
Others	<u>33,776</u>	<u>-</u>
	911,924	751,304
Less allowance for uncollectible accounts	<u>(287,200)</u>	<u>(234,400)</u>
	\$ <u>624,724</u>	\$ <u>516,904</u>

(5) Restricted Assets

The CLTC maintains a savings deposit and time certificates of deposit as of September 30, 2019 and 2018 in the amount of \$641,348 and \$640,576, 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, 2019 and 2018

(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, the Guam Housing Corporation, and the Guam Waterworks Authority.

Certain developed land supported by a valid lease is held as investments in land and other real estate within a permanent fund of GovGuam. Such investment is recorded at fair value whereas other undeveloped land not supported by a lease is reported at historical cost. As of September 30, 2019 and 2018, such land is valued at \$450,181,806 and \$458,751,008, respectively, of which \$443,478,922 and \$452,048,123, 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 leases 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, 2019 and 2018, the CLTC recognized revenues from two customers that represented approximately 74% and 73%, 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>	
2020	\$ 848,342
2021	829,515
2022	824,181
2023	782,352
2024	782,895
2025 - 2029	3,843,230
2030 - 2034	4,068,855
2035 - 2039	1,834,655
2040 - 2044	18,018
2045 - 2047	<u>9,003</u>
	\$ <u>13,841,046</u>

CHAMORRO LAND TRUST COMMISSION

Notes to Financial Statements
September 30, 2019 and 2018

(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, 2019, 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 U.S. 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 the CLTC's Administrative Director. The complaint will allege that GovGuam, through the CLTC and the 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).

On December 13, 2019, the CLTC Board of Commissioners unanimously approved a settlement agreement with the DOJ to settle and avoid going to trial as detailed in the CLTC Resolution No. 2019-08. On June 4, 2020, a settlement agreement was entered into by the CLTC with the DOJ and GovGuam. On the same date, a joint motion to dismiss the case was filed and signed by the CLTC, the DOJ and GovGuam pursuant to the agreement. Management is of the opinion that the settlement and dismissal of the case has no financial impact on the financial statements for the year ended September 30, 2019.

CHAMORRO LAND TRUST COMMISSION

Combining Balance Sheet
September 30, 2019

	Chamorro Land Trust Operations Fund	Chamorro Loan Guarantee Fund	Chamorro Land Trust Survey and Infrastructure Fund	Combined Total	Eliminations	Total
<u>ASSETS</u>						
Cash and cash equivalents	\$ 2,232,882	\$ -	\$ 1,416	\$ 2,234,298	\$ -	\$ 2,234,298
Receivables:						
Commercial	582,711	6,862	1,375	590,948	-	590,948
Other	33,776	-	-	33,776	-	33,776
Due from GovGuam	-	150,577	278,889	429,466	(128,114)	301,352
Restricted assets:						
Cash and cash equivalents	-	341,348	-	341,348	-	341,348
Time certificates of deposit	-	300,000	-	300,000	-	300,000
Total assets	\$ <u>2,849,369</u>	\$ <u>798,787</u>	\$ <u>281,680</u>	\$ <u>3,929,836</u>	\$ <u>(128,114)</u>	\$ <u>3,801,722</u>
<u>LIABILITIES AND FUND BALANCE</u>						
Liabilities:						
Accrued payroll and other liabilities	\$ 32,581	\$ -	\$ -	\$ 32,581	\$ -	\$ 32,581
Due to GovGuam	128,114	-	-	128,114	(128,114)	-
Unearned revenues	701,300	3,262	458	705,020	-	705,020
Total liabilities	861,995	3,262	458	865,715	(128,114)	737,601
Fund balance:						
Restricted	-	641,348	-	641,348	-	641,348
Committed	1,967,003	154,177	281,222	2,402,402	-	2,402,402
Assigned	20,371	-	-	20,371	-	20,371
Total fund balance	1,987,374	795,525	281,222	3,064,121	-	3,064,121
Total liabilities and fund balance	\$ <u>2,849,369</u>	\$ <u>798,787</u>	\$ <u>281,680</u>	\$ <u>3,929,836</u>	\$ <u>(128,114)</u>	\$ <u>3,801,722</u>

See Accompanying Independent Auditors' Report.

CHAMORRO LAND TRUST COMMISSION

Combining Balance Sheet
September 30, 2018

	<u>Chamorro Land Trust Operations Fund</u>	<u>Chamorro Loan Guarantee Fund</u>	<u>Chamorro Land Trust Survey and Infrastructure Fund</u>	<u>Combined Total</u>	<u>Eliminations</u>	<u>Total</u>
ASSETS						
Cash and cash equivalents	\$ 2,610,948	\$ -	\$ 1,414	\$ 2,612,362	\$ -	\$ 2,612,362
Receivables:						
Commercial	511,474	3,600	1,830	516,904	-	516,904
Due from GovGuam	-	2,942	5,211	8,153	(8,153)	-
Restricted assets:						
Cash and cash equivalents	-	340,576	-	340,576	-	340,576
Time certificates of deposit	-	300,000	-	300,000	-	300,000
Total assets	\$ <u>3,122,422</u>	\$ <u>647,118</u>	\$ <u>8,455</u>	\$ <u>3,777,995</u>	\$ <u>(8,153)</u>	\$ <u>3,769,842</u>
LIABILITIES AND FUND BALANCE						
Liabilities:						
Accrued payroll and other liabilities	\$ 23,650	\$ -	\$ -	\$ 23,650	\$ -	\$ 23,650
Due to GovGuam	435,761	-	-	435,761	(8,153)	427,608
Unearned revenues	550,240	-	455	550,695	-	550,695
Total liabilities	<u>1,009,651</u>	<u>-</u>	<u>455</u>	<u>1,010,106</u>	<u>(8,153)</u>	<u>1,001,953</u>
Fund balance:						
Restricted	-	640,576	-	640,576	-	640,576
Committed	2,108,587	6,542	8,000	2,123,129	-	2,123,129
Assigned	4,184	-	-	4,184	-	4,184
Total fund balance	<u>2,112,771</u>	<u>647,118</u>	<u>8,000</u>	<u>2,767,889</u>	<u>-</u>	<u>2,767,889</u>
Total liabilities and fund balance	\$ <u>3,122,422</u>	\$ <u>647,118</u>	\$ <u>8,455</u>	\$ <u>3,777,995</u>	\$ <u>(8,153)</u>	\$ <u>3,769,842</u>

See Accompanying Independent Auditors' Report.

CHAMORRO LAND TRUST COMMISSION

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended September 30, 2019

	Chamorro Land Trust Operations Fund	Chamorro Loan Guarantee Fund	Chamorro Land Trust Survey and Infrastructure Fund	Total
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Total</u>
Revenues:				
Lease rentals:				
Commercial	\$ 811,834	\$ -	\$ 14,640	\$ 826,474
Agricultural and residential	-	-	1,915	1,915
Proceeds from sale of land	-	-	250,300	250,300
Collections from Land for the Landless program	-	-	6,365	6,365
Payments in lieu of real property taxes	-	147,635	-	147,635
Land trust application fees	3,300	-	-	3,300
Interest income	<u>3,770</u>	<u>772</u>	<u>2</u>	<u>4,544</u>
Total revenues	<u>818,904</u>	<u>148,407</u>	<u>273,222</u>	<u>1,240,533</u>
Expenditures:				
Salaries and wages - regular	536,315	-	-	536,315
Salaries and wages - fringe benefits	142,716	-	-	142,716
Health benefits	42,588	-	-	42,588
Contractual services	51,209	-	-	51,209
Building rent	124,390	-	-	124,390
Supplies	3,945	-	-	3,945
Miscellaneous	<u>43,138</u>	<u>-</u>	<u>-</u>	<u>43,138</u>
Total expenditures	<u>944,301</u>	<u>-</u>	<u>-</u>	<u>944,301</u>
Net change in fund balances	(125,397)	148,407	273,222	296,232
Fund balances at beginning of year	<u>2,112,771</u>	<u>647,118</u>	<u>8,000</u>	<u>2,767,889</u>
Fund balances at end of year	\$ <u>1,987,374</u>	\$ <u>795,525</u>	\$ <u>281,222</u>	\$ <u>3,064,121</u>

See Accompanying Independent Auditors' Report.

CHAMORRO LAND TRUST COMMISSION

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended September 30, 2018

	Chamorro Land Trust Operations Fund	Chamorro Loan Guarantee Fund	Chamorro Land Trust Survey and Infrastructure Fund	Total
Revenues:				
Lease rentals:				
Commercial	\$ 817,687	\$ -	\$ 12,807	\$ 830,494
Agricultural and residential	-	-	5,407	5,407
Proceeds from sale of land	17,209	-	-	17,209
Collections from Land for the Landless program	-	-	23,640	23,640
Payments in lieu of real property taxes	-	128,748	-	128,748
Land trust application fees	4,200	-	-	4,200
Interest income	<u>3,029</u>	<u>645</u>	<u>-</u>	<u>3,674</u>
Total revenues	<u>842,125</u>	<u>129,393</u>	<u>41,854</u>	<u>1,013,372</u>
Expenditures:				
Salaries and wages - regular	470,595	-	-	470,595
Salaries and wages - fringe benefits	130,711	-	-	130,711
Health benefits	40,769	-	-	40,769
Contractual services	147,807	-	-	147,807
Building rent	124,390	-	-	124,390
Supplies	2,421	-	-	2,421
Capital outlays	-	-	34,312	34,312
Miscellaneous	<u>13,162</u>	<u>-</u>	<u>-</u>	<u>13,162</u>
Total expenditures	<u>929,855</u>	<u>-</u>	<u>34,312</u>	<u>964,167</u>
Net change in fund balances	(87,730)	129,393	7,542	49,205
Fund balances at beginning of year	<u>2,200,501</u>	<u>517,725</u>	<u>458</u>	<u>2,718,684</u>
Fund balances at end of year	\$ <u>2,112,771</u>	\$ <u>647,118</u>	\$ <u>8,000</u>	\$ <u>2,767,889</u>

See Accompanying Independent Auditors' Report.

CHAMORRO LAND TRUST COMMISSION

Supplemental Schedule of Employees and Salaries
Years Ended September 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Salaries and wages - regular	\$ <u>536,315</u>	\$ <u>470,595</u>
Number of employees:		
Administrator Director	1	-
Land Agents	8	8
Records Management	1	1
Other Administrative Staff	2	2
Engineering Technician	<u>2</u>	<u>2</u>
Total number of employees	<u>14</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 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 (CLTC), which comprise the balance sheet as of September 30, 2019, 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 June 4, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the CLTC'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 CLTC's internal control. Accordingly, we do not express an opinion on the effectiveness of the CLTC'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.

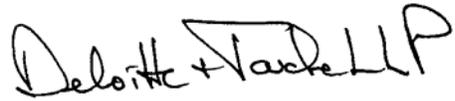
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weakness. However, material weakness may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the CLTC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Deloitte + Touche LLP". The signature is written in a cursive, slightly stylized font.

June 4, 2020

CHAMORRO LAND TRUST COMMISSION

Unresolved Prior Audit Findings
Year Ended September 30, 2019

There were no unresolved audit findings from prior year audits of the CLTC.