

CHAMORRO LAND TRUST COMMISSION

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

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

YEARS ENDED SEPTEMBER 30, 2015 AND 2014

CHAMORRO LAND TRUST COMMISSION

Years Ended September 30, 2015 and 2014
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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, 2015 and 2014, 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, which collectively comprise the Commission's financial statements as listed in the table of contents.

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, 2015 and 2014, 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 4 through 9 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.

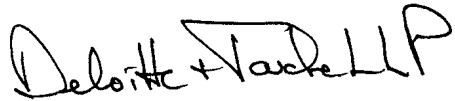
Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Commission's basic financial statements. The combining financial statement information on pages 19 through 22 and the schedule of employees and salaries on page 23 are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic 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 13, 2016, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financing reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

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

May 13, 2016

CHAMORRO LAND TRUST COMMISSION

Management's Discussion and Analysis September 30, 2015 and 2014

INTRODUCTION

Chamorro Land Trust Commission (CLTC) is a component unit of the Government of Guam, currently located in Tamuning, Suite 303, 3rd floor of the ITC Building. 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 2015 is the seventh 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 CLTC's Management's Discussion and Analysis (MD&A) provides an overview of CLTC's financial activities for fiscal years ended September 30, 2015 and 2014. The information enclosed in the MD&A has been prepared by management and it should be read in conjunction with the financial statements and notes which follow this section.

1. Financial Highlights

- Total assets exceeded total liabilities by \$2,926,127 at the close of fiscal year 2015 as compared to \$2,543,045 at the close of fiscal year 2014.
- Total assets at September 30, 2015 increased by \$439,762 as compared to September 30, 2014.
- Total liabilities at September 30, 2015 increased by \$56,680 as compared to September 30, 2014.
- Total fund balance at September 30, 2015 increased by \$383,082 as compared to September 30, 2014.
- Total revenues of \$1,049,401 for fiscal year 2015 increased by \$172,469 as compared to \$876,932 for fiscal year 2014. Total expenditures of \$666,319 for fiscal year 2015 increased by \$85,838 as compared to \$580,481 for fiscal year 2014.

2. Overview of the Financial Statements

The CLTC's financial statements include all activities of the Chamorro Land Trust Operations Fund and the Chamorro Loan Guarantee Fund. The financial statements include the Balance Sheets and Statements of Revenues, Expenditures, and Changes in Fund Balances for fiscal years 2015 and 2014.

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, 2014 is set forth in the report on the audit of CLTC's financial statements dated July 9, 2015. That Discussion and Analysis explains the major factors impacting the 2014 financial statements and may be obtained from the contact information below.

CHAMORRO LAND TRUST COMMISSION

Management's Discussion and Analysis
September 30, 2015 and 2014

3. Financial Statement Analysis

Balance Sheets

The balance sheet discloses information on the CLTC's assets, liabilities, and fund balance at year-end. The condensed summary of the CLTC's balance sheet is shown below as of September 30, 2015, 2014 and 2013.

<u>ASSETS</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Assets:			
Cash and cash equivalents	\$ 426,239	\$ 1,990,705	\$ 1,709,130
Receivables:			
Commercial	238,135	199,182	207,028
Due from GovGuam	1,968,496	3,835	32,315
Restricted assets:			
Cash and cash equivalents	212,896	212,282	210,932
Time certificates of deposit	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>
Total assets	\$ <u>3,145,766</u>	\$ <u>2,706,004</u>	\$ <u>2,459,405</u>
<u>LIABILITIES AND FUND BALANCE</u>			
Liabilities:			
Accounts payable	\$ 160	\$ 26,120	\$ 34,908
Accrued payroll and other liabilities	3,058	8,874	8,374
Unearned revenues	<u>216,421</u>	<u>127,965</u>	<u>169,529</u>
Total liabilities	<u>219,639</u>	<u>162,959</u>	<u>212,811</u>
Fund balance:			
Reserved for:			
Restricted ¹	512,896	512,282	510,932
Committed ²	2,412,476	2,030,158	1,707,389
Assigned ³	<u>755</u>	<u>605</u>	<u>28,273</u>
Total fund balance	<u>2,926,127</u>	<u>2,543,045</u>	<u>2,246,594</u>
Total liabilities and fund balance	\$ <u>3,145,766</u>	\$ <u>2,706,004</u>	\$ <u>2,459,405</u>

Total assets increased by \$439,762 in 2015 compared to 2014 primarily due to the increase in bank deposits/due from GovGuam and receivables.

Total liabilities increased by \$56,680 in 2015 compared to 2014 primarily due to the increase in unearned revenue.

Total fund balance increased by \$383,082 at the end of fiscal year 2015 due to continued lease rental revenues collected in excess of operational expenditures.

CHAMORRO LAND TRUST COMMISSION

Management's Discussion and Analysis September 30, 2015 and 2014

¹The fund balance restricted amount represents the total time certificate deposits and checking account balances. 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 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 assigned amount represents funds that have been encumbered and intended for CLTC operations in their respective fiscal year.

Statements of Revenues, Expenditures, and Changes in Fund Balances

The statement of revenues, expenditures and changes in fund balances discloses information on the CLTC's operations for the year. The condensed summary of the CLTC's operations is shown below for the years ended September 30, 2015, 2014 and 2013.

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Revenues:			
Lease rentals	\$ 830,677	\$ 537,988	\$ 725,111
Royalties	153,662	250,934	319,861
Payment in lieu of real property taxes	59,286	77,817	-
Land trust application fees	4,400	6,650	6,500
Interest income	<u>1,376</u>	<u>3,543</u>	<u>3,370</u>
Total revenues	<u>1,049,401</u>	<u>876,932</u>	<u>1,054,842</u>
Expenditures:			
Salaries and wages - regular	276,315	270,841	222,127
Salaries and wages - fringe benefits	82,201	80,359	66,784
Health benefits	32,638	37,265	34,075
Contractual services	139,850	119,348	79,470
Building rent	124,390	67,098	48,000
Supplies	8,735	4,070	4,552
Capital outlays	-	-	15,303
Miscellaneous	<u>2,190</u>	<u>1,500</u>	<u>1,600</u>
Total expenditures	<u>666,319</u>	<u>580,481</u>	<u>471,911</u>
Net change in fund balances	383,082	296,451	582,931
Fund balances at beginning of year	<u>2,543,045</u>	<u>2,246,594</u>	<u>1,663,663</u>
Fund balances at end of year	<u>\$ 2,926,127</u>	<u>\$ 2,543,045</u>	<u>\$ 2,246,594</u>

CLTC real property taxes decreased by \$18,531 in 2015 compared to 2014. This is due to the decrease in real property tax collections.

Lease rental revenues increased by \$292,689 in 2015 compared to 2014. This is due to the new lease with GTA Teleguam.

CHAMORRO LAND TRUST COMMISSION

Management's Discussion and Analysis September 30, 2015 and 2014

Total revenues in 2015 increased by \$172,469 from \$876,932 in 2014 to \$1,049,401. The increase was primarily due to the increase in lease rental revenues as a result of the new lease with GTA Teleguam.

Total expenditures in 2015 increased by \$85,838 from \$580,481 in 2014 to \$666,319 in 2015. The increase was due to the increase in building rent allocated to the CLTC by the Department of Land Management.

4. Challenges and Accomplishments

The CLTC was created through Public Law 12-226. CLTC's primary mission is to lease Chamorro Homelands to native Chamorros as defined by the Organic Act, and to execute commercial leases and licenses for various purposes as prescribed by law. Applicants of the residential and agricultural programs would have to pay a \$50 one-time non-refundable processing fee payable within 30 days of application as prescribed by Public Law 23-38. These applicants are then placed on a respective island-wide residential and/or agriculture tract waiting list in the order in which their applications were received by the Commission on a first come first serve basis determined by date and time stamped as well as assigned numerical designation. Commercial applicants are required to submit a letter of interest to the Director which would be presented to the board for their approval or disapproval in accordance with the CLTC rules and regulations for commercial use.

The 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 were transferred to the CLTC. In 1997, 183.14 acres were removed by Public Law 23-100 and Public Law 24-15. As a result, 11,061.78 acres were made available for lease purposes. Of those, 4,070.10 acres were 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 2015 that plan is still being utilized by the CLTC. Tasked to oversee such an enormous property inventory, the Commission consists of a 5 member board and a Director with a staff of seven employees.

In addition to all the tasks and programs the CLTC is mandated to perform, 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, and the Chamorro Loan Guarantee Fund.

Since its initiation up until the end of FY 2015, the CLTC has qualified a total of 11,263 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 due and payable within 30 days of application. Also, the CLTC has leased out thousands of acres of property through their residential, agricultural, and commercial programs. More specifically, the CLTC, at the end of FY2015, had leased a combined total acreage of 2,846.22 through its residential and agricultural programs and 686.13 acres through its commercial program.

In FY2015, the CLTC issued 100 leases granted through the residential and agricultural programs whereas the only new commercial lease entered into in FY2015 was with GTA Teleguam for properties previously occupied but granted a 10-year moratorium on lease payments as a result of the privatization sale. However, it was evident and known that not all properties leased through the residential and agricultural programs were 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 the CLTC's 11,061.78 acres in inventory.

CHAMORRO LAND TRUST COMMISSION

Management's Discussion and Analysis September 30, 2015 and 2014

FY2015 is the fourth financial audit that the CLTC has undergone. In an effort to bring our commission into compliance, the findings in each of the last three audits have created a road map to bring the commission into full compliance.

In FY2015, the CLTC initiated and completed the approval process for the CLTC Rules and Regulations for Commercial Use, in accordance with the Administrative Adjudication Law. The CLTC held a public hearing regarding the proposed Commercial Rules and Regulations and accordingly made appropriate changes based on public comments. The final product was approved by the CLTC Board of Commissioners and was forwarded to the Attorney General of Guam for its review. After the Attorney General of Guam approved the rules as to form and legality, it was forwarded to the Governor for his approval. The rules and regulations were subsequently transmitted to the Guam Legislature for their review and consideration to enact and codify the rules and regulations.

Unfortunately, at the end of FY 2015 the proposed Commercial Rules and Regulations were disapproved by the Guam Legislature. Through this exercise, the CLTC and the Guam Legislature created a dialogue and the eventual codification of the Guam Legislature's version of CLTC's Commercial Rules and Regulations in FY2016.

The next accomplishment is the in-depth scrutiny of the Home Loan Guarantee Program. In FY2015, the CLTC collaborated with the United States Small Business Administration and the Guam Housing Corporation to ensure that constituents with CLTC loan guaranties were current with their payments. Furthermore, the CLTC took an active approach and was able to identify loan guaranties that were considered charge-offs by the United States Treasury. Immediately, the CLTC mailed to, and published notifications of problematic loan guarantee accounts. As a result, the Director met with each constituent to resolve the matter and avoid any defaults and foreclosures from occurring. In FY2015, the CLTC's Home Loan Guaranty Program liability totaled \$8,762,603. The CLTC will continue to issue loan guaranties as mandated by law with the review and approval of the board of commissioners.

The 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 FY2015, the CLTC reassigned two leases with loan guaranties and the constituents have commenced the process with the respective lending institution to assume the land and lease-hold improvements and the preexisting loan.

The implementation of an internal accounting system not only satisfies a previous finding but creates a greater accountability of the land inventory; all agricultural, residential, and commercial leases; pending applications, and prepares the way for also reconciling property tax rolls. As mentioned in the previous audits, the CLTC only accounted for financial activity related to the commercial leases. In FY2015, the CLTC was able to record, track, and monitor financial activities for appropriated and non-appropriated fund accounts. Moreover, the CLTC has the ability to create financial statements to report their fiscal condition.

At the end of FY2015, the CLTC and the Department of Revenue and Taxation (DRT) continued to experience anomalies associated with the identification and evaluation of the CLTC properties to assess real property taxes. This is a result of services provided by vendors. To address the concerns, the CLTC and DRT engaged in the creation of a Memorandum of Agreement (MOA), which is anticipated to be final and approved in the following fiscal year. The goal of the MOA is the collaborative sharing of land and tax information so the CLTC may independently determine property taxes collected on its properties.

CHAMORRO LAND TRUST COMMISSION

Management's Discussion and Analysis
September 30, 2015 and 2014

FY2015 has been productive for the CLTC and its constituents. The CLTC continues to struggle for resources to address the challenge of its properties being leased without basic infrastructure. Furthermore, the burden of cost for property surveys is placed upon constituents. As a result, this has limited the CLTC's ability to lease more property and reduce the total number of applicants pending leases. However, through the efforts of the Guam Legislature, a specific fund account was established with sources of funding for survey and infrastructure development. This serves as an important milestone towards enhancing the CLTC to better develop the land so it is more suitable for residential and agricultural leases.

5. Outlook

The CLTC Board of Commissioners and Director will continue to prioritize tasks to ensure that the CLTC functions in a more efficient and effective manner for the beneficiaries of the CLTC. Furthermore, the CLTC will continue the positive dialogue with the Guam Legislature to ensure concerns are addressed and the necessary steps and actions are taken for the benefit of the commission and its constituents. Lastly, and most importantly, the CLTC continues 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) 649-5263 ext. 600 or email to dlmdir@land.guam.gov.

CHAMORRO LAND TRUST COMMISSION

Balance Sheets
September 30, 2015 and 2014

	2015	2014
<u>ASSETS</u>		
Cash and cash equivalents	\$ 426,239	\$ 1,990,705
Receivables, net:		
Commercial	238,135	199,182
Due from GovGuam	1,968,496	3,835
Restricted assets:		
Cash and cash equivalents	212,896	212,282
Time certificates of deposit	300,000	300,000
Total assets	\$ 3,145,766	\$ 2,706,004
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities:		
Accounts payable	\$ 160	\$ 26,120
Accrued payroll and other liabilities	3,058	8,874
Unearned revenues	216,421	127,965
Total liabilities	219,639	162,959
Commitments and contingencies		
Fund balance:		
Reserved for:		
Restricted	512,896	512,282
Committed	2,412,476	2,030,158
Assigned	755	605
Total fund balance	2,926,127	2,543,045
Total liabilities and fund balance	\$ 3,145,766	\$ 2,706,004

See accompanying notes to financial statements.

CHAMORRO LAND TRUST COMMISSION

Statements of Revenues, Expenditures, and Changes in Fund Balances Years Ended September 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Revenues:		
Lease rentals:		
Commercial	\$ 826,250	\$ 534,328
Agricultural and residential	4,427	3,660
Royalties	153,662	250,934
Payment in lieu of real property taxes	59,286	77,817
Land trust application fees	4,400	6,650
Interest income	<u>1,376</u>	<u>3,543</u>
Total revenues	<u>1,049,401</u>	<u>876,932</u>
Expenditures:		
Salaries and wages - regular	276,315	270,841
Salaries and wages - fringe benefits	82,201	80,359
Health benefits	32,638	37,265
Contractual services	139,850	119,348
Building rent	124,390	67,098
Supplies	8,735	4,070
Miscellaneous	<u>2,190</u>	<u>1,500</u>
Total expenditures	<u>666,319</u>	<u>580,481</u>
Net change in fund balances	383,082	296,451
Fund balances at beginning of year	<u>2,543,045</u>	<u>2,246,594</u>
Fund balances at end of year	<u>\$ 2,926,127</u>	<u>\$ 2,543,045</u>

See accompanying notes to financial statements.

CHAMORRO LAND TRUST COMMISSION

Notes to Financial Statements
September 30, 2015 and 2014

(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, 2015 and 2014, GovGuam's Department of Revenue and Taxation collected \$59,286 and \$77,817, respectively, in real property taxes associated with Chamorro Homelands.

CHAMORRO LAND TRUST COMMISSION

Notes to Financial Statements
September 30, 2015 and 2014

(2) Summary of Significant Accounting Policies, Continued

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, 2015 and 2014, the carrying amount of the CLTC's cash and time certificates of deposit was \$939,135 and \$2,502,987, respectively, and the corresponding bank balances were \$939,135 and \$2,502,987, respectively, which are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2015 and 2014, 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, 2015 and 2014

(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 the CLTC's 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.

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 conformity 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, 2015 and 2014

(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, 2015 and 2014, the CLTC has encumbrances of \$755 and \$605, respectively.

New Accounting Standards

During the year ended September 30, 2015, the CLTC implemented the following pronouncements:

- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, which revise and establish new financial reporting requirements for most governments that provide their employees with pension benefits. The implementation of these statements has no impact on the accompanying governmental fund financial statements but is presented in the government-wide financial statements of GovGuam.
- GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, which improves accounting and financial reporting for state and local governments' combinations and disposals of government operations. Government combinations include mergers, acquisitions, and transfers of operations. A disposal of government operations can occur through a transfer to another government or a sale. The implementation of this statement did not have a material effect on the accompanying financial statements.

In February 2015, GASB issued 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 provisions in Statement 72 are effective for fiscal years beginning after June 15, 2015. Management believes that the implementation of this statement only requires additional disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques and will not have a material effect on the financial statements of the CLTC.

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 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, which aligns the reporting requirements for pensions and pension plans not covered in GASB Statements 67 and 68 with the reporting requirements in Statement 68. The provisions in Statement No. 73 are effective for fiscal years beginning after June 15, 2015, with the exception of the provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which 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 of the CLTC.

CHAMORRO LAND TRUST COMMISSION

Notes to Financial Statements
September 30, 2015 and 2014

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

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 of the CLTC.

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 of the CLTC.

In June 2015, GASB issued 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 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 provisions in Statement No. 76 are effective for fiscal years beginning after June 15, 2015. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the CLTC.

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 of the CLTC.

(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.

CHAMORRO LAND TRUST COMMISSION

Notes to Financial Statements
September 30, 2015 and 2014

(4) Receivables

Receivables as of September 30, 2015 and 2014, including the applicable allowance for uncollectible accounts, are as follows:

	<u>2015</u>	<u>2014</u>
Receivables:		
Lease rental	\$ 314,135	\$ 199,182
Less allowance for uncollectible accounts	<u>(76,000)</u>	<u>-</u>
	<u>\$ 238,135</u>	<u>\$ 199,182</u>

(5) Restricted Assets

The CLTC maintains a savings deposit and a time certificate of deposit as of September 30, 2015 and 2014 in the amount of \$512,896 and \$512,282, respectively, restricted to collateralize low income housing loans funded by Rural Housing Service (RHS) through the Guam Housing Corporation. The Memorandum of Understanding signed with the RHS requires the CLTC to create and maintain an escrow account with an initial deposit of \$500,000. If the account falls below \$500,000, the CLTC shall deposit in the escrow account 5% of all RHS loans issued until such time that the account has reached \$500,000.

(6) Related Party Transactions

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

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, 2015 and 2014, such land is valued at \$423,752,438 and \$419,436,079, respectively, of which \$416,992,544 and \$412,676,185, 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, 2015 and 2014, the CLTC recognized revenues from two customers that represented approximately 64% and 61%, respectively, of total revenues.

CHAMORRO LAND TRUST COMMISSION

Notes to Financial Statements
September 30, 2015 and 2014

(8) Commitments

The CLTC has entered into license 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 license agreements are as follows:

<u>Year Ending</u> <u>September 30.</u>	
2016	\$ 837,171
2017	838,377
2018	817,200
2019	799,499
2020	820,711
2021 - 2025	3,905,302
2026 - 2030	3,746,242
2031 - 2035	3,706,047
2036 - 2040	1,298,107
2041 - 2045	18,000
2046 - 2047	<u>5,400</u>
	<u>\$ 16,792,056</u>

(9) Contingency

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, 2015, 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.

CHAMORRO LAND TRUST COMMISSION

Combining Balance Sheet
September 30, 2015

	<u>Chamorro Land Trust Operations Fund</u>	<u>Chamorro Loan Guarantee Fund</u>	<u>Total</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	-	300,000	300,000
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	216,421	-	216,421
Total liabilities	<u>219,639</u>	<u>-</u>	<u>219,639</u>
Fund balance:			
Reserved for:			
Restricted	-	512,896	512,896
Committed	2,275,372	137,104	2,412,476
Assigned	755	-	755
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 Balance Sheet
September 30, 2014

	Chamorro Land Trust Operations Fund	Chamorro Loan Guarantee Fund	Total	Elimination	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>ASSETS</u>					
Cash and cash equivalents	\$ 1,990,705	\$ -	\$ 1,990,705	\$ -	\$ 1,990,705
Receivables:					
Commercial	199,182	-	199,182	-	199,182
Due from GovGuam	-	77,817	77,817	(73,982)	3,835
Restricted assets:					
Cash and cash equivalents	-	212,282	212,282	-	212,282
Time certificates of deposit	<u>-</u>	<u>300,000</u>	<u>300,000</u>	<u>-</u>	<u>300,000</u>
Total assets	<u>\$ 2,189,887</u>	<u>\$ 590,099</u>	<u>\$ 2,779,986</u>	<u>\$ (73,982)</u>	<u>\$ 2,706,004</u>
<u>LIABILITIES AND FUND BALANCE</u>					
Liabilities:					
Accounts payable	\$ 26,120	\$ -	\$ 26,120	\$ -	\$ 26,120
Accrued payroll and other liabilities	8,874	-	8,874	-	8,874
Due to GovGuam	73,982	-	73,982	(73,982)	-
Unearned revenues	<u>127,965</u>	<u>-</u>	<u>127,965</u>	<u>-</u>	<u>127,965</u>
Total liabilities	<u>236,941</u>	<u>-</u>	<u>236,941</u>	<u>(73,982)</u>	<u>162,959</u>
Fund balance:					
Reserved for:					
Restricted	-	512,282	512,282	-	512,282
Committed	1,952,341	77,817	2,030,158	-	2,030,158
Assigned	<u>605</u>	<u>-</u>	<u>605</u>	<u>-</u>	<u>605</u>
Total fund balance	<u>1,952,946</u>	<u>590,099</u>	<u>2,543,045</u>	<u>-</u>	<u>2,543,045</u>
Total liabilities and fund balance	<u>\$ 2,189,887</u>	<u>\$ 590,099</u>	<u>\$ 2,779,986</u>	<u>\$ (73,982)</u>	<u>\$ 2,706,004</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

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Year Ended September 30, 2014

	<u>Chamorro Land Trust Operations Fund</u>	<u>Chamorro Loan Guarantee Fund</u>	<u>Total</u>
Revenues:			
Lease rentals:			
Commercial	\$ 534,328	\$ -	\$ 534,328
Agricultural and residential	3,660	-	3,660
Royalties	250,934	-	250,934
Payments in lieu of real property taxes	-	77,817	77,817
Land trust application fees	6,650	-	6,650
Interest income	<u>2,193</u>	<u>1,350</u>	<u>3,543</u>
Total revenues	<u>797,765</u>	<u>79,167</u>	<u>876,932</u>
Expenditures:			
Salaries and wages - regular	270,841	-	270,841
Salaries and wages - fringe benefits	80,359	-	80,359
Health benefits	37,265	-	37,265
Contractual services	119,348	-	119,348
Building rent	67,098	-	67,098
Supplies	4,070	-	4,070
Miscellaneous	<u>1,500</u>	<u>-</u>	<u>1,500</u>
Total expenditures	<u>580,481</u>	<u>-</u>	<u>580,481</u>
Net change in fund balances	217,284	79,167	296,451
Fund balances at beginning of year	<u>1,735,662</u>	<u>510,932</u>	<u>2,246,594</u>
Fund balances at end of year	<u>\$ 1,952,946</u>	<u>\$ 590,099</u>	<u>\$ 2,543,045</u>

See Accompanying Independent Auditors' Report.

CHAMORRO LAND TRUST COMMISSION

Supplemental Schedule of Employees and Salaries
Years Ended September 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Salaries and wages - regular	<u>\$ 276,315</u>	<u>\$ 270,841</u>
Number of employees:		
Land Agents	4	4
Planner	1	1
Records Management	1	1
Other Administrative Staff	<u>3</u>	<u>3</u>
Total number of employees	<u>9</u>	<u>9</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, 2015, 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 13, 2016.

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 items 2015-001 through 2015-003, which we consider to be material weaknesses.

Compliance and Other Matters

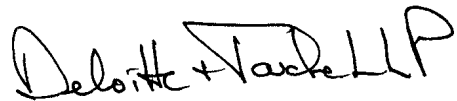
As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as item 2015-004.

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, stylized font.

May 13, 2016

CHAMORRO LAND TRUST COMMISSION

Schedule of Findings and Responses
Year Ended September 30, 2015

Finding No. 2015-001

Collection and Monitoring of Accounts Receivable

Criteria:

Prompt and timely collection of receivables is critical to maximizing CLTC cash flows and minimizing exposure from uncollectible receivables.

Condition:

As of September 30, 2015, CLTC recorded lease receivables of \$314,135, of which \$56,111 remained uncollected 90 days after year end. Of this amount, collection of receivables of \$76,000 was considered doubtful resulting in the recording of an allowance for uncollectible accounts.

Cause:

The cause of the above condition is the lack of timely collection of receivables.

Effect:

The effect of the above condition is the possibility of monetary loss and inaccurate financial statements.

Recommendation:

We recommend that CLTC establish policies and procedures requiring the timely collection and monitoring of accounts receivable and the entering into arrangements with licensees in regards to repayment of delinquent amounts.

Prior Year Status:

The lack of adequate internal control policies over timely collection of receivables was reported as a finding in the audits of CLTC for fiscal years 2011 through 2014.

Auditee Response and Corrective Action Plan:

Management concurs with the audit recommendation. At the end of FY 2015, CLTC management was working with the Administration to recruit an Administrative Assistant and Program Coordinator as identified in previous audits as positions needed. CLTC management anticipates the recruitment of the two positions in FY 2016. Furthermore, CLTC will create and implement policies and procedures addressing the collection and monitoring of accounts receivable at the end of FY 2016.

CHAMORRO LAND TRUST COMMISSION

Schedule of Findings and Responses, Continued Year Ended September 30, 2015

Finding No. 2015-002

Coral Extraction Royalties

Criteria:

Monitoring and documentation of coral extraction royalties is critical to maximizing CLTC cash flows and property utilization.

Condition:

During the year ended September 30, 2015, CLTC recorded coral extraction royalties of \$153,662 from a construction company for mining activities on a CLTC leased property. These revenues were not evidenced by an underlying agreement between CLTC and/or the lessee and the construction company documenting the rates upon which royalties were to be calculated. In addition, royalty revenues were not evidenced by a verification of actual coral materials extracted.

Cause:

The cause of the above condition is the lack of adequate internal control policies requiring monitoring and documentation of coral extraction royalties.

Effect:

The effect of the above condition is the possibility of monetary loss and inaccurate financial statements.

Recommendation:

We recommend that CLTC establish policies and procedures requiring the monitoring and documentation of coral extraction royalties.

Prior Year Status:

The lack of adequate internal control policies requiring monitoring and documentation of coral extraction royalties was reported as a finding in the audits of CLTC for fiscal years 2011 through 2014.

Auditee Response and Corrective Action Plan:

Management concurs with the audit recommendation. The CLTC Director and staff have explored methods and alternatives to implement a monitoring and documentation process related to the coral extraction activities. The CLTC Director will present methods to the CLTC Board for their review and consideration prior to implementation. CLTC anticipates that a monitoring and documentation process will be implemented by the end of FY 2016.

CHAMORRO LAND TRUST COMMISSION

Schedule of Findings and Responses, Continued Year Ended September 30, 2015

Finding No. 2015-003

Rental Lease Agreement

Criteria:

Leasing of 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, 2015, 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 CLTC enter into a formal office space lease agreement.

Prior Year Status:

The lack of a formal office space lease agreement was reported as a finding in the audits of CLTC for fiscal years 2013 and 2014.

Auditee Response and Corrective Action Plan:

As part of the Governor's Advisory No. 9, CLTC was merged with the Department of Land Management. This action created CLTC to pay for the office space being utilized to ensure that CLTC does not adversely increase the financial obligation of DLM in terms of office space rental. Furthermore, CLTC has been in frequent communication with GSA to ensure that CLTC is in compliance with the Government's policies and regulations in relation to procurement of office space rental.

CHAMORRO LAND TRUST COMMISSION

Schedule of Findings and Responses, Continued
Year Ended September 30, 2015

Finding No. 2015-004

Special Fund Transfer

Criteria:

Cash transfers from Special Revenue Funds should conform with enabling legislation.

Condition:

During the year ended September 30, 2015, cumulative cash transfers of \$2,360,000 were effectuated from the Chamorro Land Trust Operations Fund to GovGuam's General Fund. Public Law 32-181 requires that all cash amounts from Special Funds be promptly reimbursed to the Special Fund from which it was withdrawn within sixty (60) days after receipt of transferred cash amounts by the General Fund. Reimbursement has not occurred within the stipulated timeline. Instead, a \$2,000,000 reimbursement occurred on April 21, 2016. Instead, a \$2,000,000 reimbursement occurred on April 21, 2016.

Cause:

The cause of the above condition is the lack of timely reimbursement.

Effect:

The effect of the above condition is possible noncompliance with Public Law 32-181.

Recommendation:

We recommend that the CLTC coordinate resolution of this matter with GovGuam's Department of Administration.

Auditee Response and Corrective Action Plan:

CLTC is not custodian of the Chamorro Land Trust Operations Fund. The Special Fund Transfer has been returned by the Department of Administration in FY 2016. The CLTC Board and Director will work collaboratively with the Administration and the Guam Legislature to regain custody to the Chamorro Land Trust Operations Account.

CHAMORRO LAND TRUST COMMISSION

Unresolved Prior Audit Findings
Year Ended September 30, 2015

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