

**CHAMORRO LAND TRUST COMMISSION**

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

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

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**YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

# CHAMORRO LAND TRUST COMMISSION

Years Ended September 30, 2020 and 2019  
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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, 2020 and 2019, 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, 2020 and 2019, 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.

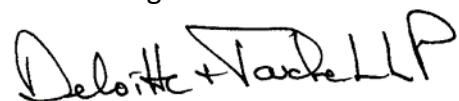
#### *Other Information*

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 19 through 22 has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standard generally accepted in the United States of America. In our opinion, such information is fairly stated, in all material respects, in relation to the financial statements as a whole.

The additional information on page 23 has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2021, 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.



March 29, 2021

## CHAMORRO LAND TRUST COMMISSION

Management's Discussion and Analysis  
September 30, 2020 and 2019

### 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 and enacted as Chapter 75 of Title 21, Guam Code Annotated (GCA). CLTC's primary mission was to lease CHamoru Land Trust property to eligible beneficiaries as defined by PL 35-112. Although, the enactment of PL 35-112 and 21GCA75A, CLTC programs have been clearly distinguished as a land restoration program meant to rectify the unjust taking of CHamoru homelands by the United States federal government between 1898 and 1968.

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 (DLM) along with the Guam Ancestral Lands Commission (GALC). On January 16, 2019, the Governor of Guam issued Executive Order (EO) 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, 2020 and 2019. 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 and deferred inflows of resources by \$3,227,715 at September 30, 2020 as compared to \$3,064,121 at the end of the prior year.
- Total assets on September 30, 2020 increased by \$148,395 (or 4%) as compared to September 30, 2019.
- Total liabilities and deferred inflows of resources on September 30, 2020 decreased by \$15,199 (or 2%) as compared to September 30, 2019.
- Total fund balance on September 30, 2019 increased by \$163,594 (or 5%) as compared to September 30, 2019.
- Total revenues of \$1,189,093 for the year ended September 30, 2020 decreased by \$51,440 (or 4%) as compared to \$1,240,533 for the prior year. Total expenditures of \$1,025,499 for the year ended September 30, 2020 increased by \$81,198 (or 9%) as compared to \$944,301 for the prior year. This resulted in an increase in the fund balance of \$163,594 for the year ended September 30, 2020 as compared to \$296,232 for the prior year.

#### 2. Overview of the Financial Statements

The CLTC's financial statements include all of the activities of the CHamoru Land Trust Operations Fund, the CHamoru Loan Guarantee Fund, and CHamoru Land Trust Survey and Infrastructure Fund. The financial statements include a Balance Sheet as of September 30, 2020 and 2019 and a Statement of Revenues, Expenditures, and Changes in Fund Balance for the years then ended. Notes to the financial statements are additional information needed to provide further understanding of the basic financial statements.

#### 3. Financial Statement Analysis

Management's Discussion and Analysis for the year ended September 30, 2019 is set forth in CLTC's report on the audit of financial statements, which is dated June 4, 2020. That Management Discussion and Analysis explains the major factors impacting the 2019 financial statements and may be obtained from the information below.

## CHAMORRO LAND TRUST COMMISSION

Management's Discussion and Analysis, Continued  
September 30, 2020 and 2019

### 3. Financial Statement Analysis, Continued

#### CLTC's Balance Sheets

The balance sheet discloses information on the CLTC's assets, liabilities and deferred inflows of resources, and fund balance at year-end. The condensed summary of the CLTC's balance sheets shown below as of September 30, 2020 as compared as of September 30, 2019 and 2018.

	2020	2019	Change	Total Percentage Change 2020-2019	2018
<b>Assets:</b>					
Cash and cash equivalents	\$ 2,423,356	\$ 2,234,298	\$ 189,058	8%	\$ 2,612,362
Receivables, net	650,386	624,724	25,662	4%	516,904
Due from GovGuam	231,072	301,352	(70,280)	(23)%	-
Restricted assets	645,303	641,348	3,955	1%	640,576
<b>Total assets</b>	<b>\$ 3,950,117</b>	<b>\$ 3,801,722</b>	<b>\$ 148,395</b>	<b>4%</b>	<b>\$ 3,769,842</b>
<b>Liabilities:</b>					
Accrued payroll and other liabilities	\$ 8,595	\$ 32,581	\$ (23,986)	(74)%	\$ 23,650
Due to GovGuam	-	-	-		427,608
<b>Total liabilities</b>	<b>8,595</b>	<b>32,581</b>	<b>(23,986)</b>	<b>(74)%</b>	<b>451,258</b>
<b>Deferred inflows of resources:</b>					
Deferred revenues	713,807	705,020	8,787	1%	550,695
<b>Total liabilities and deferred inflows of resources</b>	<b>722,402</b>	<b>737,601</b>	<b>(15,199)</b>	<b>(2)%</b>	<b>1,001,953</b>
<b>Fund balance:</b>					
Restricted	645,303	641,348	3,955	1%	640,576
Committed	2,498,134	2,402,402	95,732	4%	2,123,129
Assigned	84,278	20,371	63,907	314%	4,184
	3,227,715	3,064,121	163,594	5%	2,767,889
<b>Total liabilities, deferred inflows of resources and fund balance</b>	<b>\$ 3,950,117</b>	<b>\$ 3,801,722</b>	<b>\$ 148,395</b>	<b>4%</b>	<b>\$ 3,769,842</b>

Total assets increased by \$148,395 (or 4%) in 2020 compared to 2019 primarily due to the increase in cash and cash equivalents and receivables offset by the decrease in GovGuam interfund receivables. Receivable from GovGuam decreased due to settlement of interfund balances resulting from the timing of the CLTC revenue collections and vendor payments recorded in GovGuam's General Fund.

Total liabilities and deferred inflows of resources decreased by \$15,199 (or 2%) in 2020 compared to 2019 primarily due to the decrease in accrued payroll liabilities offset by the increase in deferred revenues. The increase in deferred revenues is primarily due to the increase in lease revenues that do not meet the "available" criterion for revenue recognition under the modified accrual basis of accounting.

Total fund balance increased by \$163,594 (or 4%) in 2020 compared to 2019 due to the difference between 2020 revenues earned and expenditures incurred compared to 2019.

## CHAMORRO LAND TRUST COMMISSION

Management's Discussion and Analysis, Continued  
September 30, 2020 and 2019

### 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 the CLTC's revenues and expenditures for the year. The condensed summary of the CLTC's revenues and expenditures shown below for the year ended September 30, 2020 as compared with the years ended September 30, 2019 and 2018.

	2020	2019	Change	Total Percentage Change 2020-2019	2018
<b>Revenues:</b>					
Lease rentals	\$ 741,082	\$ 828,389	\$ (87,307)	(11)%	\$ 835,901
Royalties	229,855	-	229,855		-
Payments in lieu of taxes	139,397	147,635	(8,238)	(6)%	128,748
Proceeds from sale of land	58,600	250,300	(191,700)	(77)%	17,209
Interest income and other	20,159	14,209	5,950	42%	31,514
<b>Total revenues</b>	<b>1,189,093</b>	<b>1,240,533</b>	<b>(51,440)</b>	<b>(4)%</b>	<b>1,013,372</b>
<b>Expenditures:</b>					
Salaries, wages and benefits	796,120	721,619	74,501	10%	642,075
Contractual services	67,069	51,209	15,860	31%	147,807
Building rent	124,390	124,390	-	0%	124,390
Miscellaneous and other	37,920	47,083	(9,163)	(19)%	49,895
<b>Total expenditures</b>	<b>1,025,499</b>	<b>944,301</b>	<b>81,198</b>	<b>9%</b>	<b>964,167</b>
Net change in fund balance	163,594	296,232	(132,638)	(45)%	49,205
<b>Fund balance:</b>					
Beginning of year	3,064,121	2,767,889	296,232	11%	2,718,684
Ending of year	<b>\$ 3,227,715</b>	<b>\$ 3,064,121</b>	<b>\$ 163,594</b>	<b>5%</b>	<b>\$ 2,767,889</b>

Total revenues decreased by \$51,440 (or 4%) from \$1,240,533 in 2019 to \$1,189,093 in 2020. The decrease in revenues for 2020 was primarily due to the decrease in lease rental revenues. Lease rental revenues decreased by \$87,307 (or 11%) from \$828,389 in 2019 to \$741,082 in 2020 due to increased delinquency in collections from tenants. In 2020, the CLTC recognized royalties from mining activities of \$229,855, which was offset by a decrease in land sale proceeds of \$191,700 (or 77%) from \$250,300 in 2019 to \$58,600 in 2020. In 2020, the CLTC sold one parcel of land located in the Municipality of Agaña Heights.

Total expenditures increased by \$81,198 (or 9%) from \$944,301 in 2019 to \$1,025,499 in 2020. The increase in expenditures for 2020 was primarily due to an increase in the CLTC operational costs, which is a direct result of the Governor's EO 2019-01 re-establishing the CLTC as a separate agency from DLM and the re-establishment of its Administrative Director position.

### 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 CHamoru homelands guided by the CHamoru Land Trust Act. The CLTC administers about 33% of GovGuam property which was transferred into the CLTC through an administrative transfer in 1995. At September 30, 2020, the CLTC's land inventory totaled 11,666.88 acres, which is a decrease of 1.5 acres compared to 11,668.38 acres at September 30, 2019. The decrease is due to the passage and enactment of PL 35-43, which transferred 1.5 acres of Lot 5412-R11 from the CLTC to the University of Guam. Of this, 4,153.48 acres are in the south; 1,601.45 acres are in the central; and 5,911.95 acres are in the north.

## CHAMORRO LAND TRUST COMMISSION

Management's Discussion and Analysis, Continued  
September 30, 2020 and 2019

### 4. Challenges and Accomplishments, Continued

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. At September 30, 2020, the collaborative working group of the Office of the Attorney General (OAG) and DLM were unable to register unregistered properties within the CLTC's inventory due to COVID-19 pandemic restrictions.

On May 29, 2020, the Governor of Guam and the CLTC signed the "Settlement Agreement between the United States of America and the Government of Guam" related to the United States v. Government of Guam, et al. (D.Guam), Civil No. 17-CV-00113. Subsequently, the terms of the settlement agreement were enacted into law through PL 35-112 and codified as 21 GCA 75A. The terms of the agreement demonstrate that the CLTC program is a land restoration program meant to rectify the unjust taking of CHamoru homelands by the United States federal government between 1898 and 1968, and would expand the program's eligible beneficiaries to include individuals and their descendants who owned land or who ranched, farmed, or otherwise occupied the land that was taken. In summary, the settlement agreement amended, modified, revised specific classifications, added specific sections and changed the eligibility requirements. Now, any application that has not been processed for a lease prior to January 1, 2021 must now adhere to the eligibility requirements set forth in 21 GCA 75A to be an eligible beneficiary for the CLTC's residential or agricultural programs.

The CLTC's three leasing programs are residential, agricultural, and commercial. The residential and agricultural programs require potential lessees to apply and pay a one-time processing fee of \$50 within 30 days from application submittal as prescribed by law. The enactment of PL 35-112 and creation of 21 GCA 75A created two types of eligibility requirements for the CLTC's residential and agricultural leasing programs regardless of race, color or national origin: (1) the eligible beneficiary must prove that they are the individual or descendent of an individual whose land was acquired by the United States government between 1898 and 1968; or (2) the eligible beneficiary must prove that the land was occupied, farmed, or ranched for residential or agricultural purposes for at least one (1) year immediately prior to that land being acquired by the United States government between 1898 and 1968 or descendants of such person. If a person occupied, farmed, or ranched the land on or after December 8, 1942, and the land was acquired at any time after that date and up to 1950, the one (1) year tenure need not have occurred immediately prior to acquisition by the United States government. Immediately, after all documentation has been submitted to ascertain eligibility, the CLTC shall determine whether the applicant is an eligible beneficiary. At September 30, 2020, the CLTC has accepted a total of 11,693 applications, which is an increase of 22 compared 11,671 applications at September 30, 2019 for CLTC's residential and agricultural programs.

Furthermore, at September 30, 2020, the CLTC had leased a combined total acreage of 3,039.85 acres, which is an increase of 7.07 acres compared to 3,032.78 acres leased at September 30, 2019. The increase is due to the 8 new leases awarded in 2020. The cumulative total of leases issued as of September 30, 2020 is 2,901. Furthermore, 10 of the 102 leases that were deemed null and void through the opinion issued from the OAG on May 11, 2018 were adjudicated during 2020. The cumulative total number of adjudicated leases is 16 out of the 102 at September 30, 2020. The CLTC's commercial leasing program is guided by PL 33-95 also known as the CHamoru Land Trust Commercial Rules and Regulations. As authorized by law, the CLTC can award commercial leases and/or licenses up to a cumulative acreage total that does not exceed 9% of unassigned property in the CLTC's inventory. As authorized through PL 33-95, commercial leases shall be for a term not to exceed 25 years and commercial licenses up to 21 years, respectively.

In 2020 through a Memorandum of Understanding (MOU) with the Guam Economic Development Authority (GEDA) for property management services, GEDA published two Requests for Proposals (RFP) to commercially lease Tract 111, Lot 12, Municipality of Tamuning, and Lot 7054-R8, Municipality of Yigo. Unfortunately, both RFPs were unsuccessful. At September 30, 2020, the CLTC did not award any new commercial leases and commercial leased property remained at a total of 607.24 acres.



## CHAMORRO LAND TRUST COMMISSION

Management's Discussion and Analysis, Continued  
September 30, 2020 and 2019

### **4. Challenges and Accomplishments, Continued**

During 2020, the CLTC issued one (1) Home Loan Guarantee. The CLTC's Home Loan Guarantee Program's contingent liability totaled \$10,496,130 at September 30, 2020. In 2020, 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 Chamoru 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."

Along with all the tasks and programs the CLTC is mandated to administer, there are several revolving funds and special funds created by law. The revolving funds are known as the CHamoru Home Loan Fund, the CHamoru Commercial Loan Fund, and the CHamoru Home Repair Fund. The special funds are known as the CHamoru Home Development Fund, the CHamoru Educational Assistance Fund, CHamoru Land Trust Operation Fund, CHamoru Loan Guarantee Fund and CLTC Survey and Infrastructure Fund. Unfortunately, at September 30, 2020, several funds have maintained dormant and unfunded status which has prevented CLTC from performing the mandates required by law associated with those funds. Furthermore, at September 30, 2020, the CLTC Board and personnel consisted of three (3) Board members, and 12 employees that are tasked with the responsibility of ensuring the CLTC's mandates and day-to-day operations are fulfilled.

A continued challenge that has been unresolved is the CLTC's ability to provide a survey and basic infrastructure to properties leased. At September 30, 2020, the CLTC was unable to identify sufficient funding sources to conduct surveys and utility installations for leased properties. As a result, the CLTC lessees continue to pay for the expenses of surveying and utility connections. Another challenge that is being monitored annually is the timely remittance of CLTC revenues. Currently, all revenues collected from the CLTC's revenue generating activities are received by the Treasurer of Guam. As result, the revenues become a part of GovGuam's daily cash flow. What has occurred in the past is that revenue collections were not remitted to the respective funds and were, instead, recorded as a receivable from GovGuam. Due to the economic conditions and the financial condition of GovGuam at September 30, 2017, the CLTC had to apply the standards of GASB 34 pronouncement, which is a permanent transfer out due to the inability of the General Fund to pay and the CLTC to collect. As of September 30, 2020, the CLTC reported a \$231,072 due from GovGuam.

### **5. Outlook**

The CLTC Board of Commissioners and Administrative Director will collaboratively work with the Administration to pursue and obtain federal grant assistance to pay for the cost of installing the basic infrastructure needs of leased properties. Furthermore, the Board and Administrative Director will continue to move in the direction of commencing the lease award process of the residential and agriculture programs.

### **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. 815 or email [jack.hattig@cltc.guam.gov](mailto:jack.hattig@cltc.guam.gov).

**CHAMORRO LAND TRUST COMMISSION**

Balance Sheets  
September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 2,423,356	\$ 2,234,298
Receivables, net:		
Commercial	616,610	590,948
Other	33,776	33,776
Due from GovGuam	231,072	301,352
Restricted assets:		
Cash and cash equivalents	345,303	341,348
Time certificates of deposit	<u>300,000</u>	<u>300,000</u>
Total assets	\$ <u><u>3,950,117</u></u>	\$ <u><u>3,801,722</u></u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</u>		
Liabilities:		
Accrued payroll and other liabilities	\$ <u>8,595</u>	\$ <u>32,581</u>
Deferred inflows of resources:		
Deferred revenues	<u>713,807</u>	<u>705,020</u>
Total liabilities and deferred inflows of resources	<u>722,402</u>	<u>737,601</u>
Commitments and contingencies		
Fund balance:		
Restricted	645,303	641,348
Committed	2,498,134	2,402,402
Assigned	<u>84,278</u>	<u>20,371</u>
Total fund balance	<u>3,227,715</u>	<u>3,064,121</u>
Total liabilities, deferred inflows of resources and fund balance	\$ <u><u>3,950,117</u></u>	\$ <u><u>3,801,722</u></u>

See accompanying notes to financial statements.

**CHAMORRO LAND TRUST COMMISSION**

Statements of Revenues, Expenditures, and Changes in Fund Balances  
Years Ended September 30, 2020 and 2019

	2020	2019
Revenues:		
Lease rentals:		
Commercial	\$ 738,406	\$ 826,474
Agricultural and residential	2,676	1,915
Royalties	229,855	-
Payment in lieu of real property taxes	139,397	147,635
Proceeds from sale of land	58,600	250,300
Collections from Land for the Landless program	15,029	6,365
Land trust application fees	1,100	3,300
Interest income	4,030	4,544
	<u>1,189,093</u>	<u>1,240,533</u>
Expenditures:		
Salaries and wages - regular	574,887	536,315
Salaries and wages - fringe benefits	165,713	142,716
Health benefits	55,520	42,588
Contractual services	67,069	51,209
Building rent	124,390	124,390
Supplies	4,645	3,945
Communications	4,640	-
Miscellaneous	28,635	43,138
	<u>1,025,499</u>	<u>944,301</u>
Net change in fund balances	163,594	296,232
Fund balances at beginning of year	<u>3,064,121</u>	<u>2,767,889</u>
Fund balances at end of year	<u>\$ 3,227,715</u>	<u>\$ 3,064,121</u>

See accompanying notes to financial statements.

## CHAMORRO LAND TRUST COMMISSION

Notes to Financial Statements  
September 30, 2020 and 2019

### (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 eligible beneficiaries 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 eligible borrowers holding leases or licenses of Chamorro Homelands. During the years ended September 30, 2020 and 2019, the GovGuam Department of Revenue and Taxation collected \$139,397 and \$147,635, respectively, in real property taxes associated with Chamorro Homelands.

## CHAMORRO LAND TRUST COMMISSION

Notes to Financial Statements  
September 30, 2020 and 2019

### (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, 2020 and 2019, the CLTC collected \$15,029 and \$6,365, 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, 2020 and 2019, the carrying amount and corresponding bank balances of the CLTC's cash and time certificates of deposit were \$3,068,659 and \$2,875,646, respectively. Bank balances are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2020 and 2019, bank deposits in the amount of \$250,000 were FDIC insured.

## CHAMORRO LAND TRUST COMMISSION

Notes to Financial Statements  
September 30, 2020 and 2019

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

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

In accordance with 5 GCA 21, *Investments and Deposits*, the CLTC requires collateralization of deposits in excess of depository insurance limits in an amount in value at least ten percent in excess of the amount of monies deposited with the financial institution. Such collateralization shall be in securities in U.S. treasury notes or bonds or in U.S. government agencies for which the faith and credit of the United States are pledged for the payment of principal and interest; evidence of indebtedness of GovGuam; investment certificates of the Federal Home Loan Bank; or such other securities as may be approved by the Director of Administration and the Governor of Guam. As of September 30, 2020 and 2019, substantially all of the CLTC's bank deposits in excess of depository insurance limits are collateralized with securities held by the pledging financial institution but not in the CLTC's name.

#### 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.

#### Deferred Inflows of Resources

In the governmental fund financial statements, deferred inflows of resources consist of unavailable base and participation rent revenues, which is revenue that does 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.

## CHAMORRO LAND TRUST COMMISSION

Notes to Financial Statements  
September 30, 2020 and 2019

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

#### Management Estimates

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

#### Encumbrances

The CLTC utilizes encumbrance accounting to identify fund obligations. Encumbrances represent commitments related to unperformed contracts for goods. At September 30, 2020 and 2019, the CLTC has encumbrances of \$84,278 and \$20,371, respectively.

#### New Accounting Standards

During the year ended September 30, 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, 91, 92 and 93 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. In accordance with GASB Statement No. 95, management has elected to postpone implementation of these statements.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 84 will be effective for fiscal year ending September 30, 2021.

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. Management believes that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 87 will be effective for fiscal year ending September 30, 2022.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 89 will be effective for fiscal year ending September 30, 2022.

## CHAMORRO LAND TRUST COMMISSION

Notes to Financial Statements  
September 30, 2020 and 2019

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

#### New Accounting Standards, Continued

In March 2018, GASB issued Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 90 will be effective for fiscal year ending September 30, 2021.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying 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. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 91 will be effective for fiscal year ending September 30, 2023.

In January 2020, GASB issued statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports, the terminology used to refer to derivative instruments and the applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefits. The requirements related to the effective date of GASB Statement No. 87 and Implementation Guide 2019-3, reissuance recoveries and terminology used to refer to derivative instruments are effective upon issuance. In accordance with GASB Statement No. 95, the remaining requirements of GASB Statement No. 92 is effective for the fiscal year ending September 30, 2022.

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The primary objective of this statement is to address those and other accounting and financial reporting implications of the replacement of an IBOR. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. Except for paragraphs 11b, 13, and 14, GASB Statement No. 93 will be effective for fiscal year ending September 30, 2021. The requirement in paragraphs 11b, 13, and 14 are effective for fiscal year September 30, 2022.



## CHAMORRO LAND TRUST COMMISSION

Notes to Financial Statements  
September 30, 2020 and 2019

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

#### New Accounting Standards, Continued

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. This statement also provides guidance for accounting and financial reporting for availability payment arrangements. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 94 will be effective for fiscal year ending September 30, 2023.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 96 will be effective for fiscal year ending September 30, 2023.

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. GASB Statement No. 97 will be effective for fiscal year ending September 30, 2022.

#### Reclassifications

Certain reclassifications have been made to the 2019 financial statements to conform to the 2020 presentation.

### (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, 2020 and 2019

### (4) Receivables

Receivables as of September 30, 2020 and 2019, including the applicable allowance for uncollectible accounts, are as follows:

	<u>2020</u>	<u>2019</u>
Receivables:		
Commercial lease	\$ 1,159,730	\$ 878,148
Others	<u>33,776</u>	<u>33,776</u>
	1,193,506	911,924
Less allowance for uncollectible accounts	<u>(543,120)</u>	<u>(287,200)</u>
	<u>\$ 650,386</u>	<u>\$ 624,724</u>

### (5) Restricted Assets

The CLTC maintains a savings deposit and time certificates of deposit as of September 30, 2020 and 2019 in the amount of \$645,303 and \$641,348, 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, the Guam Housing Corporation and the University of Guam.

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, 2020 and 2019, such land is valued at \$453,106,926 and \$450,181,806, respectively, of which \$444,444,334 and \$443,478,922, 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.

During the year ended September 30, 2020, the CLTC transferred 1.5 acres of land property to the University of Guam in accordance with Public Law 35-43.

### (7) Sale of Land

During the years ended September 30, 2020 and 2019, the CLTC recognized proceeds from the sale of land of \$58,600 and \$250,300, respectively. The Guam Legislature authorized the sale of various lots in accordance with Public Laws 34-164, 34-163, 34-153, 34-134 and 34-94 for the average fair market value as determined by two independent licensed real estate appraisers. Proceeds realized from the sale of land were authorized to be deposited into the account of the CLTC.

### (8) 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, 2020 and 2019, the CLTC recognized revenues from two customers that represented approximately 74% of total revenues.

## CHAMORRO LAND TRUST COMMISSION

Notes to Financial Statements  
September 30, 2020 and 2019

### (9) 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>	
2021	\$ 845,312
2022	837,628
2023	790,277
2024	775,788
2025	790,771
2026 - 2030	3,817,853
2031 - 2035	3,747,355
2036 - 2040	1,708,001
2041 - 2045	18,005
2046 - 2047	<u>5,402</u>
	<u>\$ 13,336,392</u>

### (10) 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, 2020, the CLTC has guaranteed loans totaling \$10,496,130 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).

## CHAMORRO LAND TRUST COMMISSION

Notes to Financial Statements  
September 30, 2020 and 2019

### (10) Contingencies, Continued

#### Lawsuit and Claims, Continued

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 of the CLTC.

#### Litigation

CLTC is party to certain legal proceedings arising from governmental operations; however, the Attorney General of Guam is unable to assess the likelihood of potential liabilities related to claims outstanding as of September 30, 2020. Hence, it is not possible to predict a reasonable estimation of these claims and, therefore, no provision for any liability that may result has been made in the accompanying financial statements.

**CHAMORRO LAND TRUST COMMISSION**

Combining Balance Sheet  
September 30, 2020

	<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>
<u>ASSETS</u>						
Cash and cash equivalents	\$ 2,422,689	\$ -	\$ 667	\$ 2,423,356	\$ -	\$ 2,423,356
Receivables:						
Commercial	609,597	2,415	4,598	616,610	-	616,610
Other	33,776	-	-	33,776	-	33,776
Due from GovGuam	-	290,804	366,687	657,491	(426,419)	231,072
Restricted assets:						
Cash and cash equivalents	-	345,303	-	345,303	-	345,303
Time certificates of deposit	-	300,000	-	300,000	-	300,000
Total assets	\$ <u>3,066,062</u>	\$ <u>938,522</u>	\$ <u>371,952</u>	\$ <u>4,376,536</u>	\$ <u>(426,419)</u>	\$ <u>3,950,117</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</u>						
Liabilities:						
Accrued payroll and other liabilities	\$ 8,595	\$ -	\$ -	\$ 8,595	\$ -	\$ 8,595
Due to GovGuam	426,419	-	-	426,419	(426,419)	-
Total liabilities	<u>435,014</u>	<u>-</u>	<u>-</u>	<u>435,014</u>	<u>(426,419)</u>	<u>8,595</u>
Deferred inflows of resources:						
Deferred revenues	<u>707,707</u>	<u>2,877</u>	<u>3,223</u>	<u>713,807</u>	<u>-</u>	<u>713,807</u>
Total liabilities and deferred inflows of resources	<u>1,142,721</u>	<u>2,877</u>	<u>3,223</u>	<u>1,148,821</u>	<u>(426,419)</u>	<u>722,402</u>
Fund balance:						
Restricted	-	645,303	-	645,303	-	645,303
Committed	1,839,063	290,342	368,729	2,498,134	-	2,498,134
Assigned	84,278	-	-	84,278	-	84,278
Total fund balance	<u>1,923,341</u>	<u>935,645</u>	<u>368,729</u>	<u>3,227,715</u>	<u>-</u>	<u>3,227,715</u>
Total liabilities and fund balance	\$ <u>3,066,062</u>	\$ <u>938,522</u>	\$ <u>371,952</u>	\$ <u>4,376,536</u>	\$ <u>(426,419)</u>	\$ <u>3,950,117</u>

See Accompanying Independent Auditors' Report.

**CHAMORRO LAND TRUST COMMISSION**

Combining Balance Sheet  
September 30, 2019

	<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>
<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, DEFERRED INFLOWS OF RESOURCES 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)	-
Total liabilities	<u>160,695</u>	<u>-</u>	<u>-</u>	<u>160,695</u>	<u>(128,114)</u>	<u>32,581</u>
Deferred inflows of resources:						
Deferred revenues	701,300	3,262	458	705,020	-	705,020
Total liabilities and deferred inflows of resources	<u>861,995</u>	<u>3,262</u>	<u>458</u>	<u>865,715</u>	<u>(128,114)</u>	<u>737,601</u>
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	<u>1,987,374</u>	<u>795,525</u>	<u>281,222</u>	<u>3,064,121</u>	<u>-</u>	<u>3,064,121</u>
Total liabilities, deferred inflows of resources 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 Statement of Revenues, Expenditures, and Changes in Fund Balances  
Year Ended September 30, 2020

	Chamorro Land Trust Operations Fund	Chamorro Loan Guarantee Fund	Chamorro Land Trust Survey and Infrastructure Fund	Total
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Revenues:				
Lease rentals:				
Commercial	\$ 727,906	\$ -	\$ 10,500	\$ 738,406
Agricultural and residential	-	-	2,676	2,676
Royalties	229,855	-	-	229,855
Proceeds from sale of land	-	-	58,600	58,600
Collections from Land for the Landless program	-	-	15,029	15,029
Payments in lieu of real property taxes	-	139,397	-	139,397
Land trust application fees	1,100	-	-	1,100
Interest income	<u>2,605</u>	<u>723</u>	<u>702</u>	<u>4,030</u>
Total revenues	<u>961,466</u>	<u>140,120</u>	<u>87,507</u>	<u>1,189,093</u>
Expenditures:				
Salaries and wages - regular	574,887	-	-	574,887
Salaries and wages - fringe benefits	165,713	-	-	165,713
Health benefits	55,520	-	-	55,520
Contractual services	67,069	-	-	67,069
Building rent	124,390	-	-	124,390
Supplies	4,645	-	-	4,645
Communications	4,640	-	-	4,640
Miscellaneous	<u>28,635</u>	<u>-</u>	<u>-</u>	<u>28,635</u>
Total expenditures	<u>1,025,499</u>	<u>-</u>	<u>-</u>	<u>1,025,499</u>
Net change in fund balances	(64,033)	140,120	87,507	163,594
Fund balances at beginning of year	<u>1,987,374</u>	<u>795,525</u>	<u>281,222</u>	<u>3,064,121</u>
Fund balances at end of year	\$ <u>1,923,341</u>	\$ <u>935,645</u>	\$ <u>368,729</u>	\$ <u>3,227,715</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**

Supplemental Schedule of Employees and Salaries  
Years Ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Salaries and wages - regular	\$ <u>574,887</u>	\$ <u>536,315</u>
Number of employees:		
Administrator Director	1	1
Land Agents	7	8
Records Management	1	1
Other Administrative Staff	1	2
Engineering Technician	<u>2</u>	<u>2</u>
Total number of employees	<u>12</u>	<u>14</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 (CLTC), which comprise the balance sheet as of September 30, 2020, 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 March 29, 2021.

### **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) as a basis for designing 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 significant deficiencies. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as item 2020-01 that we consider to be a material weakness.

### **Compliance and Other Matters**

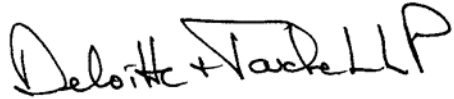
As part of obtaining reasonable assurance about whether the CLTC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect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

## CLTC's Response to the Finding

CLTC's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. CLTC's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## 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, slightly stylized font.

March 29, 2021

## CHAMORRO LAND TRUST COMMISSION

Schedule of Findings and Responses  
Year Ended September 30, 2020

### Finding No. 2020-01 - 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, 2020, the CLTC recorded coral extraction royalties of \$229,855 from a construction company for mining activities on CLTC property. These revenues were not evidenced by an underlying agreement between the CLTC and/or lessee and the construction company documenting the rates upon which royalties collected and billed were based. A memo was provided to the lessee dated August 8, 2011, indicating the rate of \$0.75 per cubic yard approved by the Board of Commissioners. However, the CLTC billed \$1.00 per cubic yard reported by the construction company. No documentation of the rate increase was provided. In addition, evidence of the CLTC's verification of actual coral extracted and reported by the construction company was not provided.

Cause: The cause of the above condition is the lack of adequate internal control policies requiring verification, 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 the CLTC establish policies and procedures requiring the verification of actual coral extracted, and adequate documentation of underlying agreements between the parties regarding terms and conditions and the rate per cubic yard extracted.

Auditee Response and Corrective Action Plan: Management concurs with the audit recommendation. The recommendation will ensure that CLTC systematically monitors coral extraction activities.

**CHAMORRO LAND TRUST COMMISSION**

Unresolved Prior Audit Findings  
Year Ended September 30, 2020

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