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MC Fwd: CLTC FY 2018 Financial Audit Reports Transmittal

1 message

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Cc: Rennae Meno <rennae@guamlegislature.org>
Bcc: Tina Muna Barnes <tinamunabarnes@gmail.com>

05-23-19	10:29 AM	05-22-19	CLTC FY 2018 Financial Audit Reports Transmittal.*	Office of Public Accountability	35GL-19-0551

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Speaker Tina Rose Muña Barn
MAY 23 2019
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Sinsenru yan Minagâhet,

Office of the Speaker • Tina Rose Muña Barnes
Committee on Public Accountability, Human Resources & the Guam Buildup

35th Guam Legislature
I Mina'trentai Singko na Liheslaturan Guåhan

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Gumai pribilehu yan konfedensia este siha na mensåhi. Solo espesiåtmente para hågu ma entensioña pat ma aturisa para unrisibi. Sen prubidu kumu ti un ma aturisa para manribisa, na'setbe, pat mandespåtcha. Yanggen lachi rinisibu-mu nu este na mensåhi , put fabot ago' guatu gi I numa'huyong gi as speaker@guamlegislature.org yan despues destrosa todu siha I kopian mensåhi. Si Yu'os ma'åse'.

---------- Forwarded message ---------
From: **Frederick Jones** <fjones@guamopa.com>
Date: Thu, May 23, 2019 at 10:29 AM
Subject: CLTC FY 2018 Financial Audit Reports Transmittal
To: Office of Public Accountability <admin@guamopa.com>
Cc: Frederick Jones <fjones@guamopa.com>

Hafa Adai!

Transmitted electronically are the Chamorro Land Trust Commission (CLTC) FY 2018 Financial Statements and Report on Compliance and Internal Controls, Management Letter, and Letter to Those Charged with Governance. Also transmitted herein is the Office of Public Accountability's two-page highlights.

These reports and our highlights may also be found on our website at www.opaguam.org.

Sincerely,

--
Frederick D. Jones
Accountability Auditor I
Office of Public Accountability
www.opaguam.org
Tel. (671) 475-0390 ext. 205
Fax (671) 472-7951
This e-mail transmission and accompanying attachment(s) may contain confidential or privileged information. If you are not the intended recipient of this e-mail, please inform the sender and delete it and any other electronic or hard copies immediately. Please do not distribute or disclose the contents to anyone. Thank you.

4 attachments

- **CLTC FY 2018 Financial Highlights Final.pdf** 237K
- **CLTC_fs18 [Final May 20 2019].pdf** 203K
- **CLTC_mlc18 [Final May 20 2019].pdf** 48K
- **CLTC_sas114 18 [Final May 20 2019].pdf** 522K

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Chamorro Land Trust Commission – FY 2018 Financial Highlights

May 22, 2019

Hagåtña, Guam – The Office of Public Accountability released the Chamorro Land Trust Commission (CLTC) financial statements, report on compliance and internal control, management letter, and the auditor's communication with those charged with governance for fiscal year (FY) 2018. CLTC closed FY 2018 with a $49 thousand (K) increase in fund balance (net income), compared to a net loss of $428K in FY 2017. Independent auditors, Deloitte and Touche, LLP, issued an unmodified "clean" opinion on CLTC's FY 2018 financial statements and reported one material weakness.

Lawsuit and Claims
In January 2017, the U.S. Department of Justice filed a complaint in the District Court of Guam against the government of Guam (GovGuam), CLTC, and its Administrative Director. The complaint alleged that CLTC denied dwelling to a person or persons because of race or national origin; discriminated in the terms, conditions, or privileges of sale or rental or dwelling, and/or in the provision of services or facilities in connection therewith because of race or national origin in violation of the Fair Housing Act 42 U.S.C. §§ 3604 (a), (b), (c) and § 3605 (a).

While the outcome of this communication cannot be predicted with certainty, GovGuam is of the opinion that the CLTC Act of 1975 is legal and constitutional and the ultimate disposition of such communication will not have material adverse effect on CLTC's financial statements. Therefore, no related provision has been recorded in the accompanying financial statements for the potential impact, if any, of this matter.

Decreased Revenues and Expenditures
In FY 2018, CLTC total revenues were $1 million (M), a net decrease of $511K from the prior year, primarily due to the decrease in the proceeds from the sale of land ($17K), land trust application fees ($4K), collections from the Land for the Landless Program ($24K), agricultural and residential lease payments ($5K). The decrease was offset by a $3K increase in commercial lease rentals, and a $34K increase in payment in lieu of real property taxes (PILOT).

Total expenditures also decreased by the $988K or 51%, going from $2M in FY 2017 to $964K in FY 2018. This is mainly due to a decrease in salaries plus benefits ($642K), contractual services ($148K), supplies ($2K), and capital outlays ($34K) and zero transfers out to General Fund.

Increased Cash and Cash Equivalents
Unrestricted cash and cash equivalents increased slightly to $2.6M as of FY 2018, a $546K or 26% increase from $2.1M as of FY 2017. This was mainly the net effect of cash transfers from GovGuam's General Fund in FY 2018.

Doc. No. 35GL-19-0551.*

Land Inventory
CLTC has an updated land inventory of 11,668.38 acres available for lease. However, 28% or 3,274.98 acres are unregistered land accounts. CLTC is working on getting these acreages registered properly.

As of FY 2018, CLTC leased a total of 3,089.40 acres in its residential and agricultural programs and 607.24 acres in its commercial program. A total of 11,605 applicants have qualified for its residential and agricultural programs. There were 33 new residential and agricultural leases in FY 2018. Not all properties leased through the residential and agricultural programs were readily available with basic infrastructure and property surveys placing the financial burden on the lessees.

In November 2015, CLTC's Commercial Rules and Regulations was codified through the enactment of P.L. 33-95. CLTC is now allowed to designate and declare property for commercial use not to exceed 9% of unassigned land for residential and agricultural purposes.

Home Loan Guarantee Program and PILOT Revenue
The Home Loan Guarantee Program guarantees loans issued by the government agencies or lending institutions to Chamorro borrowers holding lease on Chamorro Homelands. In FY 2018, guaranteed two loans that increased CLTC's loan guarantee program to $10.4M as of September 30, 2018. However, there is no loan reserve contingency to prevent potential losses from loan defaults other than $641K in restricted assets. The program is supported by PILOT revenue, which is real property taxes collected from CLTC constituents with the assistance of Department of Revenue and Taxation.

Report on Compliance Report and Internal Control and Management Letter
In FY 2018, the independent auditors identified one material weakness in its Report on Compliance and Internal Controls pertaining to the lack of a negotiated lease agreement for the CLTC occupied office space, which is a repeat finding.

A separate letter was issued to management citing two control deficiencies: (1) lease agreements without a formal signed agreement, in disagreement with actual lot and master plan map, and transfers without supporting documentation; (2) documentation of the allocation of legal counsel salaries among CLTC, Guam Ancestral Lands Commission, and Department of Land Management was not available.

Summary of Uncorrected Misstatements
There were three uncorrected misstatements identified in FY 2018 that would have decreased CLTC's revenues by $9.6K. Management believed that the effects of the uncorrected misstatements were immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

For a more detailed discussion on CLTC's operations, refer to the Management's Discussion and Analysis in the audit report at www.opaguam.org.

CHAMORRO LAND TRUST COMMISSION

(A GOVERNMENTAL FUND OF THE GOVERNMENT OF GUAM)

FINANCIAL STATEMENTS, ADDITIONAL INFORMATION AND INDEPENDENT AUDITORS' REPORT

YEARS ENDED SEPTEMBER 30, 2018 AND 2017

CHAMORRO LAND TRUST COMMISSION

Years Ended September 30, 2018 and 2017
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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, 2018 and 2017, and the related statements of revenues, expenditures, and changes in fund balances for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Chamorro Land Trust Commission as of September 30, 2018 and 2017, and the results of its operations for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Deloitte.

Emphasis of Matter - Reporting Entity

As discussed in Note 1 to the financial statements, the financial statements referred to above present only the Chamorro Land Trust Commission and are not intended to present fairly the financial position and results of operations of the Government of Guam in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 7 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Other Supplementary Information, as set forth in Section IV of the foregoing table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. The Other Supplementary Information is the responsibility of the Commission's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The additional information on pages 17 through 20 has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standard generally accepted in the United States of America. In our opinion, such information is fairly stated, in all material respects, in relation to the financial statements as a whole.

The additional information on page 21 has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2019, 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 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 Commission'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 Commission's internal control over financial reporting and compliance.

Deloitte + Touche LLP

May 16, 2019

INTRODUCTION

The Chamorro Land Trust Commission (CLTC) is a component unit of the Government of Guam, currently located at 590 South Marine Corps Drive, Ste 303, ITC Building, Tamuning, Guam 96913. CLTC acts exclusively in the interest of the beneficiaries under the Chamorro Land Trust Act. The Audit of Financial Statements and Other Reporting for FY2018 is the seventh financial audit conducted since CLTC was codified into law and made possible with collaborative efforts by the CLTC Board, CLTC management and staff, and the Office of Public Accountability (OPA); adhering to accountability and transparency.

The Chamorro Land Trust Commission's Management's Discussion and Analysis (MD&A) provides an overview of CLTC's financial activities for fiscal year ending September 30, 2018. The information enclosed in the MD&A has been prepared by management and it should be read in conjunction with the financial statements and notes which follow this section.

1. Financial Highlights

- Total assets exceeded total liabilities by $2,767,889 at the close of fiscal year 2018 as compared to $2,718,684 at the close of fiscal year 2017.
- Total assets at September 30, 2018 increased by $568,467 as compared to September 30, 2017.
- Total liabilities at September 30, 2018 increased by $519,262 as compared to September 30, 2017.
- Total fund balance at September 30, 2018 increased by $49,205 as compared to September 30, 2017.
- Total revenues of $1,013,372 for fiscal year 2018 decreased by $511,061 as compared to $1,524,433 for fiscal year 2017. Total expenditures of $964,167 for fiscal year 2018 decreased by $988,301 as compared to $1,952,468 for fiscal year 2017.

2. Overview of the Financial Statements

CLTC's financial statements include all activities of the Chamorro Land Trust Operations Fund, the Chamorro Loan Guarantee Fund and the Chamorro Land Trust Survey and Infrastructure Fund. The financial statements include a Balance Sheet and Statements of Revenues, Expenditures, and Changes in Fund Balance for Fiscal Year 2018.

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

3. Financial Statement Analysis

Balance Sheet

The balance sheet discloses information on CLTC's assets, liabilities, and fund balance at year-end. The condensed summary of CLTC's balance sheet shown below is for the years ending September 30, 2018, 2017 and 2016.

	2018	2017	2016
ASSETS			
Cash and cash equivalents	$ 2,612,362	$ 2,066,644	$ 1,176,450
Receivables, net	516,904	398,451	326,688
Due from GovGuam	-	222,155	964,372
Restricted assets	640,576	514,125	513,511
Total assets	$ 3,769,842	$ 3,201,375	3,521,021
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	$ -	$ 70	$ 5,745
Accrued payroll and other Liabilities	23,650	27,039	2,576
Due from GovGuam	427,608	-	-
Unearned revenues	550,695	455,582	365,981
Total Liabilities	1,001,953	482,691	374,302
Fund Balance:			
Reserved for:			
Restricted[1]	640,576	514,125	513,511
Committed[2]	2,123,129	2,200,294	2,370,997
Assigned[3]	4,184	4,465	262,211
Total Fund Balance	2,767,889	2,718,684	3,146,719
Total Liabilities and Fund Balance	$ 3,769,842	$ 3,201,375	$ 3,521,021

Total Fund Balance increased by $49,205 at the end of fiscal year 2018 due to the following:

- Total assets increased by $568,467 in 2018 compared to 2017, primarily due to an increase in cash and cash equivalents and commercial receivables.

- Total liabilities increased by $519,262 in 2018 compared to 2017, primarily due to an increase in the amount due to GovGuam, and unearned revenues. The unearned revenues total is primarily made up of rent escalation related to CLTC's commercial leases. The recording and recognition of the rent escalation is to ensure compliance with GASB 13 and CLTC applies the straight-line basis of measurement.

[1] The fund balance restricted amount of $640,576 represents the total time certificate of deposits, and checking account balances. These funds have been restricted to fulfill CLTC's financial requirement for the Home Loan Guarantees issued by CLTC with Guam Housing Corporation and the Small Business Administration.

[2] The fund balance committed amount of $2,123,129 represents funds reserved by law for the operations of CLTC. These funds cannot be used for any other purpose unless restriction is removed by the Guam Legislature through Public Law.

[3] The fund balance assigned amount of $4,184 represents funds that have been encumbered and intended for CLTC operations in the respective fiscal year.

Statements of Revenues, Expenditures, and Changes in Fund Balance

	2018	2017	2016
Revenues:			
Lease rentals	$ 835,901	$ 836,571	$ 771,061
Proceeds from sale of land	17,209	455,000	-
Collections from Land for the Landless Program	23,640	127,865	206,369
Payment in lieu of real property taxes	128,748	94,955	91,646
Royalties	-	-	83,215
Land trust application fees	4,200	7,000	6,250
Interest income	3,674	3,042	1,621
Total revenues	1,013,372	1,524,433	1,160,162
Expenditures:			
Salaries and Wages - regular	470,595	535,347	414,455
Salaries and Wages – fringe benefits	130,711	145,755	114,531
Health benefits	40,769	56,436	53,266
Contractual services	147,807	212,100	168,168
Building rent	124,390	124,390	124,390
Supplies	2,421	10,202	8,735
Capital outlays	34,312	221,700	27,592
Transfer out to General Fund	-	641,368	-
Miscellaneous	13,162	5,170	6,485
Total expenditures	964,167	1,952,468	939,570
Net change in fund balances	49,205	(428,035)	220,592
Fund balances at beginning of year	2,718,684	3,146,719	2,926,127
Fund balances at end of year	$ 2,767,889	$ 2,718,684	$ 3,146,719

CLTC real property taxes increased by $33,793 in 2018 compared to 2017. This is due to the increase in real property tax collection.

Commercial lease revenues increased by $2,964 in 2018 compared to 2017. This is primarily due to CLTC's active collection of account receivables.

Proceeds from sale of land were generated through the enactment of P.L. 11-127, which authorized the sale of property located in the Municipality of Umatac.

Total revenues in FY2018 decreased by $511,061 from $1,524,433 in 2017 compared to $1,013,372 in 2018. This is primarily due to the decrease in the proceeds from sale of land, land trust application fees, collections from the Land for the Landless Program, agricultural, and residential lease payments.

Total expenditures in FY2018 decreased by $988,301 from $1,952,468 in 2017 compared to $964,167 in 2018. The decrease is due to salaries and wages, fringe benefits, health benefits, contractual services, supplies, capital outlays and transfer out to General Fund.

4. Challenges and Accomplishments

CLTC was created through Public Law (PL) 12-226. CLTC's primary mission is to lease Chamorro Homelands to native Chamorro as defined by the Organic Act. When applications for residential and agricultural programs are submitted and have fulfilled all the prerequisites they are placed on a respective island-wide waiting list in the order in which their applications were received by the Commission. Also, CLTC is authorized to execute commercial leases and licenses for various purposes as prescribed by law. CLTC's Commercial Rules & Regulations was created through the enactment of Public Law 33-95.

CLTC has about 33% of Government of Guam property in its property inventory, which is attributed from an administrative transfer executed in 1995. At September 30, 2018 CLTC's land inventory totaled 11,668.38 acres, which is an increase of 46.38 acres compared to FY2017 land inventory of 11,622 acres. The increase is credited to the Land Registration cases completed in FY2018 and the transfer of Land for the Landless properties that have not been paid in full. Of those, 4,153.48 acres are located in the south; 1,602.95 acres are in the central; and, 5,911.95 acres are located in the north. Furthermore, 3,274.98 acres of CLTC inventory are unregistered property, which the law prohibits any leasing and use until a title of ownership is established through judicial land registration. While the task of land registration is cumbersome and extensive, CLTC will continue to work with the Office of the Attorney General of Guam, and the Department of Land Management to rightfully and lawfully register all unregistered Government of Guam property in CLTC inventory.

At September 30, 2018, CLTC has qualified a total of 11,605 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 within 30 days as prescribed by law. In FY2018, CLTC issued a combined total of 33 leases to residential and agricultural applicants. Furthermore, CLTC at the end of FY2018 had leased a combined total acreage of 3,089.40 through its residential and agriculture programs and 607.24 acres through its commercial program.

During FY2018, CLTC issued two (2) Home Loan Guarantees. The two (2) additional Loan Guarantees increased CLTC's Home Loan Guarantee Program liability to $10,405,552. In FY2018, CLTC has continued the working dialogue with the United States Small Business Administration (SBA) and the Guam Housing Corporation (GHC) to ensure that constituents are making their payments in a timely manner and to prevent any unforeseen foreclosures. CLTC does not foresee any potential defaults or foreclosures from occurring due to the authority granted through Chamorro Land Trust Act to "offer and reassign to the next qualified applicant the opportunity to assume any loan in default guaranteed by the Chamorro Loan Guarantee Fund."

In addition to all the tasks and programs CLTC is mandated to execute, there are several revolving funds and specials funds created by law. The revolving funds are known as the Chamorro Home Loan Fund, the Chamorro Commercial Loan Fund, and the Chamorro Home Repair Fund. The special funds are known as the Chamorro Home Development Fund, the Chamorro Educational Assistance Fund, Chamorro Land Trust Operation Fund, Chamorro Loan Guarantee Fund and CLTC Survey and Infrastructure Fund. Unfortunately, several funds have been dormant and unfunded which has not enabled CLTC to perform all its mandates required by law. Furthermore, as of September 30, 2018, CLTC board and personnel consisted of five (5) board members, and fourteen (14) employees that are tasked with the responsibility of ensuring CLTC's mandates and day-to-day operations are fulfilled.

During FY2018, CLTC has continued to struggle to acquire needed resources to survey and provide the basic infrastructure to properties leased in the past and present. As a result, the financial burden of survey costs and utility installations has been placed on our constituents.

Management's Discussion and Analysis for the year ended September 30, 2017 is set forth in the report on the audit of CLTC's financial statements dated April 23, 2018. That Discussion and Analysis explains the major factors impacting the 2017 financial statements and may be obtained from the contact information below.

5. Outlook

The CLTC board of commissioners and administrative director will continue to move in the direction of issuing agricultural and residential leases. Furthermore, CLTC will fully exercise the use of the Memorandum of Understanding (MOU) with the Guam Economic Development Authority for property management services related to future Commercial Leases that would require to be awarded through a competitive bid process.

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

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

CHAMORRO LAND TRUST COMMISSION

Balance Sheets
September 30, 2018 and 2017

	2018	2017
ASSETS		
Cash and cash equivalents	$ 2,612,362	$ 2,066,644
Receivables, net:		
Commercial	516,904	398,451
Due from GovGuam	-	222,155
Restricted assets:		
Cash and cash equivalents	340,576	214,125
Time certificates of deposit	300,000	300,000
Total assets	$ 3,769,842	$ 3,201,375
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	$ -	$ 70
Accrued payroll and other liabilities	23,650	27,039
Due to GovGuam	427,608	-
Unearned revenues	550,695	455,582
Total liabilities	1,001,953	482,691
Commitments and contingencies		
Fund balance:		
Restricted	640,576	514,125
Committed	2,123,129	2,200,094
Assigned	4,184	4,465
Total fund balance	2,767,889	2,718,684
Total liabilities and fund balance	$ 3,769,842	$ 3,201,375

See accompanying notes to financial statements.

CHAMORRO LAND TRUST COMMISSION

Statements of Revenues, Expenditures, and Changes in Fund Balances
Years Ended September 30, 2018 and 2017

	2018	2017
Revenues:		
Lease rentals:		
Commercial	$ 830,494	$ 827,530
Agricultural and residential	5,407	9,041
Proceeds from sale of land	17,209	455,000
Collections from Land for the Landless program	23,640	127,865
Payment in lieu of real property taxes	128,748	94,955
Land trust application fees	4,200	7,000
Interest income	3,674	3,042
Total revenues	1,013,372	1,524,433
Expenditures:		
Salaries and wages - regular	470,595	535,347
Salaries and wages - fringe benefits	130,711	145,755
Health benefits	40,769	56,436
Contractual services	147,807	212,100
Building rent	124,390	124,390
Supplies	2,421	10,202
Capital outlays	34,312	221,700
Transfers out to General Fund	-	641,368
Miscellaneous	13,162	5,170
Total expenditures	964,167	1,952,468
Net change in fund balances	49,205	(428,035)
Fund balances at beginning of year	2,718,684	3,146,719
Fund balances at end of year	$ 2,767,889	$ 2,718,684

See accompanying notes to financial statements.

(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, 2018 and 2017, GovGuam's Department of Revenue and Taxation collected $128,748 and $94,955, respectively, in real property taxes associated with Chamorro Homelands.

(2) Summary of Significant Accounting Policies, Continued

Measurement Focus and Basis of Accounting, Continued

- The Chamorro Land Trust Survey and Infrastructure Fund – this fund was created for the purpose of accounting for the receipt of all proceeds from the sale of bull cart trails and land remnants and proceeds from the sale of land under the *Land for the Landless* program that will be used solely for the surveying of unsurveyed CLTC land and for the operational needs in support thereof. In December 1, 2015, the CLTC commenced collection of outstanding receivables from the Land for the Landless program as stipulated by Public Law 33-104. The law requires funds collected shall be deposited into the Chamorro Land Trust Survey and Infrastructure Fund. During the years ended September 30, 2018 and 2017, the CLTC collected $23,640 and $127,865, 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.

(2) Summary of Significant Accounting Policies, Continued

Cash and Time Certificates of Deposit, Continued

For the purposes of the balance sheets, cash is defined as cash in checking and savings accounts. Deposits maintained in time certificates of deposit with original maturity dates greater than three months are separately classified on the balance sheets. As of September 30, 2018 and 2017, the carrying amount of the CLTC's cash and time certificates of deposit was $3,252,938 and $2,580,769, respectively, and the corresponding bank balances were $3,252,938 and $2,580,769, respectively, which are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2018 and 2017, bank deposits in the amount of $250,000 were FDIC insured. The CLTC does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

Receivables

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

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

Interfund Receivables

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

Unearned Revenues

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

Fund Balance

Governmental fund balances are classified as follows:

- Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

- Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and do not lapse at year-end.

- Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed.

(2) Summary of Significant Accounting Policies, Continued

Fund Balance, Continued

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

A formal minimum fund balance policy has not been adopted.

Management Estimates

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

Encumbrances

The CLTC utilizes encumbrance accounting to identify fund obligations. Encumbrances represent commitments related to unperformed contracts for goods. At September 30, 2018 and 2017, the CLTC has encumbrances of $4,184 and $4,465, respectively.

New Accounting Standards

During the year ended September 30, 2018, the CLTC implemented the following pronouncements:

- GASB 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.

- GASB Statement No. 81, *Irrevocable Split-Interest Agreements,* which improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

- GASB Statement No. 85, *Omnibus 2017*, which address practice issues that have been identified during implementation and application of certain GASB Statements including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits).

- GASB Statement No. 86, *Certain Debt Extinguishment Issues*, which improves consistency in accounting and financial reporting for in-substance defeasance of debt.

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

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

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

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

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

In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. The provisions in Statement No. 88 are effective for fiscal years beginning after June 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

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

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61,* which improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and the relevance of financial statement information for certain component units. The provisions in Statement No. 90 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

(3) Risk Management

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

(4) Receivables

Receivables as of September 30, 2018 and 2017, including the applicable allowance for uncollectible accounts, are as follows:

	2018	2017
Receivables:		
Commercial lease	$ 751,304	$ 580,051
Less allowance for uncollectible accounts	(234,400)	(181,600)
	$ 516,904	$ 398,451

(5) Restricted Assets

The CLTC maintains a savings deposit and time certificates of deposit as of September 30, 2018 and 2017 in the amount of $640,576 and $514,125, 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 Guam Waterworks Authority.

Certain developed land supported by a valid lease is held as investments in land and other real estate within a permanent fund of the Government of Guam. 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, 2018 and 2017, such land is valued at $458,751,008 and $461,302,203, respectively, of which $452,048,123 and $453,073,398, 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, 2017, the CLTC transferred certain land to the Guam Waterworks Authority in accordance with Public Law 33-174 for consideration of $455,000.

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

(7) Significant Customers

The CLTC generates revenues from certain major customers that exceed 10 percent or more of the CLTC's total revenues. During the years ended September 30, 2018 and 2017, the CLTC recognized revenues from two customers that represented approximately 74% and 73%, respectively, of total revenues.

(8) Commitments

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

Year Ending September 30,	
2019	$ 872,855
2020	851,407
2021	830,276
2022	821,773
2023	777,652
2024 - 2028	3,835,275
2029 - 2033	4,036,772
2034 - 2038	2,559,370
2039 – 2043	145,462
2044 - 2047	12,604
	$ 14,743,446

(9) Contingencies

Loan Guarantee

The CLTC is authorized to loan or guarantee the repayment of or otherwise underwrite any authorized loan to a Chamorro homeland lessee up to a maximum amount not to exceed the financial ability of the borrower. In the event of default, these loan guarantees may shift the lender's default risk entirely to the CLTC whereby the lender may call upon the CLTC to make partial or full payment of the guaranteed loan. As of September 30, 2018, the CLTC has guaranteed a material amount of loans for Chamorro homeland residential lessees. CLTC management is of the opinion that defaulted loans may be reassigned and that the CLTC has substantial defenses available to it in the event of litigation. As a result, at this time, management does not believe that material exposure exists related to this event. Therefore, no provision for a liability that may arise from this matter has been made in the accompanying financial statements.

Lawsuit and Claims

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

CHAMORRO LAND TRUST COMMISSION

Combining Balance Sheet
September 30, 2018

	Chamorro Land Trust Operations Fund	Chamorro Loan Guarantee Fund	Chamorro Land Trust Survey and Infrastructure Fund	Total
ASSETS				
Cash and cash equivalents	$ 2,610,948	$ -	$ 1,414	$ 2,612,362
Receivables:				
Commercial	511,474	3,600	1,830	516,904
Restricted assets:				
Cash and cash equivalents	-	340,576	-	340,576
Time certificates of deposit	-	300,000	-	300,000
Total assets	$ 3,122,422	$ 644,176	$ 3,244	$ 3,769,842
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accrued payroll and other liabilities	$ 23,650	$ -	$ -	$ 23,650
Due to GovGuam	435,761	(2,942)	(5,211)	427,608
Unearned revenues	550,240	-	455	550,695
Total liabilities	1,009,651	(2,942)	(4,756)	1,001,953
Fund balance:				
Restricted	-	640,576	-	640,576
Committed	2,108,587	6,542	8,000	2,123,129
Assigned	4,184	-	-	4,184
Total fund balance	2,112,771	647,118	8,000	2,767,889
Total liabilities and fund balance	$ 3,122,422	$ 644,176	$ 3,244	$ 3,769,842

See Accompanying Independent Auditors' Report.

CHAMORRO LAND TRUST COMMISSION

Combining Balance Sheet
September 30, 2017

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

See Accompanying Independent Auditors' Report.

CHAMORRO LAND TRUST COMMISSION

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

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

See Accompanying Independent Auditors' Report.

CHAMORRO LAND TRUST COMMISSION

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

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

See Accompanying Independent Auditors' Report.

CHAMORRO LAND TRUST COMMISSION

Supplemental Schedule of Employees and Salaries
Years Ended September 30, 2018 and 2017

	2018	2017
Salaries and wages - regular	$ 470,595	$ 535,347
Number of employees:		
Land Agents	8	6
Records Management	1	1
Other Administrative Staff	2	4
Engineering Technician	2	3
Total number of employees	13	14

See Accompanying Independent Auditors' Report.

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Commissioners
Chamorro Land Trust Commission

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Chamorro Land Trust Commission (the Commission), which comprise the balance sheet as of September 30, 2018, 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 16, 2019.

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.

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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as item 2018-001, that we consider to be material weaknesses.

Deloitte.

Compliance and Other Matters

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

The Commission's Responses to Findings

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

Purpose of this Report

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

Deloitte + Touche LLP

May 16, 2019

CHAMORRO LAND TRUST COMMISSION

Schedule of Findings and Responses
Year Ended September 30, 2018

Finding No. 2018-001

Rental Lease

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

Condition: During the year ended September 30, 2018, the Commission occupied certain office space at a cost of $10,365 per month. No underlying lease 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.

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

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

Prior Year Status: The lack of a formal office space lease was reported as a finding in the audits of the Commission for fiscal years 2013 through 2017.

Auditee Response and Corrective Action Plan: CLTC in FY2019 will issue an Invitation For Bid (IFB) for Office Space Rental to ensure that a negotiated lease is executed on behalf of CLTC.

CHAMORRO LAND TRUST COMMISSION

Unresolved Prior Audit Findings
Year Ended September 30, 2018

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

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May 16, 2019

Mr. Jack Hattig III
Administrative Director
Chamorro Land Trust Commission
P.O. Box 2950
Hagatna, GU 96932

Dear Mr. Hattig:

In planning and performing our audit of the financial statements of the Chamorro Land Trust Commission (CLTC) as of and for the year ended September 30, 2018 (on which we have issued our report dated May 16, 2019), 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, we considered the CLTC's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the CLTC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the CLTC's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting. However, in connection with our audit, we identified, and included in the attached Appendix I, deficiencies related to the CLTC's internal control over financial reporting and other matters as of September 30, 2018, that we wish to bring to your attention.

We have also issued a separate report to the Board of Commissioners, also dated May 16, 2019, 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 definition of a deficiency is also set forth in the attached Appendix I.

A description of the responsibility of management for establishing and maintaining internal control over financial reporting and of the objectives of and inherent limitations of internal control over financial reporting, is set forth in the attached Appendix II and should be read in conjunction with this report.

This report is intended solely for the information and use of the Office of the Public Accountability - Guam, management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

We will be pleased to discuss the attached comments with you and, if desired, to assist you in implementing any of the suggestions.

We wish to thank the staff and management of the CLTC for their cooperation and assistance during the course of this engagement.

Very truly yours,

Deloitte & Touche LLP

SECTION I – CONTROL DEFICIENCIES

We identified, and have included below, control deficiencies involving the CLTC's internal control over financial reporting as of September 30, 2018 that we wish to bring to your attention:

(1) Leases

Commercial

a. During the year ended September 30, 2018, CLTC collected annual rental fees of $2,207 without a formal signed lease. Thus, we were not able to verify the completeness of related terms and conditions.

b. Certain leases stipulate that upon lease renewal every five years, rents shall be adjusted to a certain percentage of the fair market value of the leased land, excluding improvements on the premises. Several leases were renewed and extended. However, CLTC did not provide an appraisal or equivalent to substantiate the market value of the leased lands. Thus, current rental fees billed remained at the same rate as per the initial lease.

Agricultural

a. A certain agricultural lease was approved for not more than four acres. The actual lot occupied approximates 0.70 acres and does not agree with the lot per the approved lease and the master plan map.

b. A certain agricultural lease approved for not more than three acres signed on August 6, 2002 lacks a master lot map on file to substantiate details of location and lot size.

Residential

a. Of eight residential lease tested, two were transferred from the original lessees to new designees without a supporting death certificate on file. Public Law 23-38 Section 2 - *CLTC Rules and Regulations*, allows transfer of application rights to a designee upon the death of the applicant.

b. A residential lease approved for 1,996 sqms indicated that the designated lot has an area of 3,996 sqms per the master map.

The CLTC may consider performing appraisals of commercial lease lands to obtain market values to serve as a basis of rates to be billed. In addition, we recommend that CLTC appropriately examine the lease register, perform timely updates of related information, and adequately file necessary supporting lease documents.

(2) Contractual Services

During the year ended September 30, 2018, the Commission incurred and paid $121,297 of legal counsel salaries. The amount covers services rendered for CLTC, Guam Ancestral Lands Commission (GALC) and Department of Land Management (DLM). Documentation from legal counsel to support allocation of the expenditure among three agencies was not available.

We recommend management obtain documentation from legal counsel as basis for allocation of expenditure.

SECTION II – DEFINITION

The definition of a deficiency is as follows:

A *deficiency* 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 deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when (a) a properly designed control does not operate as designed, or (b) the person performing the control does not possess the necessary authority or competence to perform the control effectively.

MANAGEMENT'S RESPONSIBILITY FOR, AND THE OBJECTIVES AND LIMITATIONS OF, INTERNAL CONTROL OVER FINANCIAL REPORTING

The following comments concerning management's responsibility for internal control over financial reporting and the objectives and inherent limitations of internal control over financial reporting are adapted from auditing standards generally accepted in the United States of America.

Management's Responsibility

The CLTC's management is responsible for the overall accuracy of the financial statements and their conformity with generally accepted accounting principles. In this regard, management is also responsible for establishing and maintaining effective internal control over financial reporting.

Objectives of Internal Control over Financial Reporting

Internal control over financial reporting is a process affected by those charged with governance, management, and other personnel and designed to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. Internal control over the safeguarding of assets against unauthorized acquisition, use, or disposition may include controls related to financial reporting and operations objectives. Generally, controls that are relevant to an audit of financial statements are those that pertain to the entity's objective of reliable financial reporting (i.e., the preparation of reliable financial statements that are fairly presented in conformity with generally accepted accounting principles).

Inherent Limitations of Internal Control over Financial Reporting

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Deloitte.

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May 16, 2019

Board of Commissioners
Chamorro Land Trust Commission

Dear Members of the Board of Commissioners:

We have performed an audit of the financial statements of the Chamorro Land Trust Commission (the "Commission") as of and for the year ended September 30, 2018, in accordance with auditing standards generally accepted in the United States of America ("generally accepted auditing standards") and have issued our report thereon dated May 16, 2019.

We have prepared the following comments to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process for which management of the Commission is responsible.

This report is intended solely for the information and use of management, the Board of Commissioners, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Deloitte & Touche LLP

Cc: To Management of the Chamorro Land Trust Commission

Deloitte.

OUR RESPONSIBILITY UNDER GENERALLY ACCEPTED AUDITING STANDARDS AND GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

Our responsibility under generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, has been described in our engagement letter dated October 4, 2018. As described in that letter, the objective of a financial statement audit conducted in accordance with the aforementioned standards is:

- To express an opinion on the fairness of the Commission's financial statements and the accompanying supplementary information, and to disclaim an opinion on the required supplementary information for the year ended September 30, 2018, in conformity with accounting principles generally accepted in the United States of America ("generally accepted accounting principles"), in all material respects;

- To express an opinion on whether the supplementary information that accompanies the financial statements is presented fairly, in all material respects, in relation to the financial statements taken as a whole; and

- To report on the Commission's internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the year ended September 30, 2018, based on an audit of financial statements performed in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*.

Our responsibilities under generally accepted auditing standards include forming and expressing an opinion about whether the financial statements that have been prepared with the oversight of management and the Board of Commissioners are presented fairly, in all material respects, in conformity with generally accepted accounting principles. The audit of the financial statements does not relieve management or the Board of Commissioners of their responsibilities.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether caused by fraud or error. In making those risk assessments, we considered internal control over financial reporting relevant to the Commission's preparation and fair presentation of the financial statements in order to design audit procedures that were appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting. Our consideration of internal control over financial reporting was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

ACCOUNTING ESTIMATES

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are ordinarily based on knowledge and experience about past and current events and on assumptions about future events. Significant accounting estimates reflected in the Commission's 2018 financial statements include management's estimate of the allowance for uncollectible accounts, which is determined based upon past collection experience and aging of the accounts. During the year ended September 30, 2018, we are not aware of any significant changes in accounting estimates or in management's judgments relating to such estimates.

UNCORRECTED MISSTATEMENTS

Our audit of the financial statements was designed to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. We have attached to this letter, as Appendix A to Attachment I, a summary of uncorrected misstatements that we presented to management during the current audit engagement that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Deloitte.

SIGNIFICANT ACCOUNTING POLICIES

The Commission's significant accounting policies are set forth in Note 2 to the Commission's 2018 financial statements. During the year ended September 30, 2018, there were no significant changes in previously adopted accounting policies or their application, except for the following pronouncements adopted by the Commission:

- GASB 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.

- GASB Statement No. 81, *Irrevocable Split-Interest Agreements,* which improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

- GASB Statement No. 85, *Omnibus 2017*, which address practice issues that have been identified during implementation and application of certain GASB Statements including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits).

- GASB Statement No. 86, *Certain Debt Extinguishment Issues*, which improves consistency in accounting and financial reporting for in-substance defeasance of debt.

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

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

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

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

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

In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. The provisions in Statement No. 88 are effective for fiscal years beginning after June 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61,* which improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and the relevance of financial statement information for certain component units. The provisions in Statement No. 90 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

DISAGREEMENTS WITH MANAGEMENT

We have not had any disagreements with management related to matters that are material to the Commission's 2018 financial statements.

OUR VIEWS ABOUT SIGNIFICANT MATTERS THAT WERE THE SUBJECT OF CONSULTATION WITH OTHER ACCOUNTANTS

We are not aware of any consultations that management may have had with other accountants about auditing and accounting matters during 2018.

SIGNIFICANT FINDINGS OR ISSUES DISCUSSED, OR SUBJECT OF CORRESPONDENCE, WITH MANAGEMENT PRIOR TO OUR RETENTION

Throughout the year, routine discussions were held, or were the subject of correspondence, with management regarding the application of accounting principles or auditing standards in connection with transactions that have occurred, transactions that are contemplated, or reassessment of current circumstances. In our judgment, such discussions or correspondence were not held in connection with our retention as auditors.

OTHER SIGNIFICANT FINDINGS OR ISSUES ARISING FROM THE AUDIT DISCUSSED, OR SUBJECT OF CORRESPONDENCE, WITH MANAGEMENT

Throughout the year, routine discussions were held, or were the subject of correspondence, with management. In our judgment, such discussions or correspondence did not involve significant issues requiring communication to the Board of Commissioners.

SIGNIFICANT DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

In our judgment, we received the full cooperation of the Commission's management and staff and had unrestricted access to the Commission's senior management in the performance of our audit.

MANAGEMENT'S REPRESENTATIONS

We have made specific inquiries of the Commission's management about the representations embodied in the financial statements. Additionally, we have requested that management provide to us the written representations the Commission is required to provide to its independent auditors under generally accepted auditing standards. We have attached to this letter, as Attachment I, a copy of the representation letter we obtained from management.

Deloitte.

EMPHASIS-OF-MATTER PARAGRAPH

As discussed in Note 1 to the financial statements, the financial statements of the Commission 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.

CONTROL-RELATED MATTERS

We have issued a separate report to you, also dated May 16, 2019, containing certain matters involving the Commission's internal control over financial reporting that we consider to be material weaknesses or significant deficiencies under standards established by the American Institute of Certified Public Accountants, and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. Although we have included management's written responses to our comments contained in that report, such responses have not been subjected to the auditing procedures applied in our audit of the financial statements and, accordingly, we do not express an opinion or provide any form of assurance on the appropriateness of the responses or the effectiveness of any corrective actions described therein.

We have communicated to management, in a separate letter also dated May 16, 2019, certain deficiencies and other matters related to the Commission's internal control over financial reporting.

* * * * * *

Kumision Inangokkon Tano' Chamoru
(CHamoru Land Trust Commission)

P.O. Box 2950 Hagàtña, Guåhan 96932 *Phone: 649-5263 Ext. 400 Fax: 649-5383*

Lourdes A. Leon Guerrero
Governor

Joshua F. Tenorio
Lieutenant Governor

Commission Members

G. Pika Fejeran
Chairwoman

Joseph I. Cruz
Vice-Chairman

Amanda L.G. Santos
Commissioner

Austin J. Duenas
Commissioner

Shawntel L. Techaira
Commissioner

Jack E. Hattig III
Administrative Director

May 16, 2019

Deloitte & Touche LLP
361 SOUTH MARINE CORPS DRIVE
TAMUNING, GU 96913

We are providing this letter in connection with your audits of the balance sheets of the Chamorro Land Trust Commission (CLTC), a governmental fund of the Government of Guam, as of September 30, 2018 and 2017, and the related statements of revenues, expenditures, and changes in fund balances for the years then ended, which collectively comprise the CLTC's basic financial statements for the purpose of expressing an opinion as to whether the basic financial statements present fairly, in all material respects, the financial position, results of operations or changes in fund balances of the CLTC in accordance with accounting principles generally accepted in the United States of America (GAAP).

We confirm that we are responsible for the following:

a. The preparation and fair presentation in the basic financial statements of financial position and results of operations in accordance with GAAP.

b. 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
- To prevent and detect fraud.

c. The review and approval of the financial statements and related notes and acknowledge your role in the preparation of this information. Specifically, we acknowledge that your role in the preparation of the financial statements was a matter of convenience rather than one of necessity. We have reviewed the financial statement preparation assistance provided by you and acknowledge that the financial statements are prepared in accordance with GAAP. Our review was based on the use of the financial statement disclosure checklist for a general-purpose government obtained from the Government Finance Officers Association.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audits.

1. The basic financial statements referred to above are fairly presented in accordance with GAAP. In addition:

   a. Such financial statements 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 GAAP.

   b. The financial statements include, where applicable, all component units as well as joint ventures with an equity interest, and properly disclose, where applicable, all other joint ventures and other related organizations.

   c. Interfund, internal, and intra-government activity and balances have been appropriately

classified and reported.

d. Deposits are properly classified in the category of custodial credit risk.

e. Required supplementary information is measured and presented within prescribed guidelines.

f. Applicable laws and regulations are followed in adopting, approving, and amending budgets.

g. The CLTC has followed the GASB Codification of Government Accounting and Financial Reporting Standards ("GASB Codification") Section 1800.178 regarding which resources (restricted, committed, assigned, or unassigned) are considered to be spent for expenditures to determine the fund balance classifications for financial reporting purposes.

h. Fund balance restrictions, commitments, and assignments are properly classified and, if applicable, approved.

2. The CLTC has provided to you all relevant information and access as agreed in the terms of the audit engagement letter.

3. The CLTC has made available to you:

   a. All minutes of the meetings of Board of Commissioners or summaries of actions of recent meetings for which minutes have not yet been prepared.

   b. All financial records and related data for all financial transactions of the CLTC and for all funds administered by the CLTC. The records, books, and accounts, as provided to you, record the financial and fiscal operations of all funds administered by the CLTC and provide the audit trail to be used in a review of accountability. Information presented in financial reports is supported by the books and records from which the financial statements have been prepared.

   c. Contracts and grant agreements (including amendments, if any) and any other correspondence that has taken place with federal agencies.

4. There has been no:

   a. Action taken by CLTC management that contravenes the provisions of federal laws and Guam laws and regulations, or of contracts and grants applicable to the CLTC.

   b. Communication from other regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices or other matters that could have a material effect on the financial statements.

5. We believe the effects of any uncorrected financial statement misstatements aggregated by you during the current audit engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. A summary of such uncorrected misstatements has been attached as Appendix A.

6. The CLTC has not performed a risk assessment, including the assessment of the risk that the financial statements may be materially misstated as a result of fraud. However, management has made available to you their understanding about the risks of fraud in the CLTC and do not believe that the financial statements are materially misstated as a result of fraud.

7. We have no knowledge of any fraud or suspected fraud affecting the CLTC involving:

   a. Management.

   b. Employees who have significant roles in the CLTC's internal control.

   c. Others, where the fraud could have a material effect on the financial statements.

8. We have no knowledge of any allegations of fraud or suspected fraud affecting the CLTC received in communications from employees, former employees, analysts, regulators, or others.

9. There are no unasserted claims or assessments that legal counsel has advised us are probable of assertion and must be disclosed in accordance with GASB Codification of Government Accounting and Financial Reporting Standards ("GASB Codification") Section C50, *Claims and Judgments* except as disclosed in note 9 to the financial statements.

10. Significant assumptions used by us in making accounting estimates are reasonable.

11. Management has identified and disclosed to you all laws and regulations that have a direct and material effect on the determination of financial statement amounts.

12. We have adopted the provisions of GASB Codification Section 2100, *Defining the Financial Reporting Entity*. We believe that we have properly identified and reported as a component unit of the CLTC each organization that meets the criteria established in GASB Codification Section 2100, *Defining the Financial Reporting Entity.*

Except where otherwise stated below, matters less than $9,000 collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to, or disclosure in, the basic financial statements.

13. Except as listed in Appendix A, there are no transactions that have not been properly recorded in the accounting records underlying the financial statements.

14. The CLTC has no plans or intentions that may affect the carrying value or classification of assets and liabilities.

15. Regarding related parties:

    a. We have disclosed to you the identity of the CLTC's related parties and all the related-party relationships and transactions of which we are aware.

    b. To the extent applicable, related parties and all related-party relationships and transactions, including sales, purchases, loans, transfers, leasing arrangements, and guarantees (written or oral) have been appropriately identified, properly accounted for, and disclosed in the financial statements..

16. In preparing the financial statements in accordance with GAAP, management uses estimates. All estimates have been disclosed in the financial statements for which known information available prior to the issuance of the financial statements indicates that both of the following criteria are met:

    a. It is at least reasonably possible that the estimate of the effect on the financial statements of a condition, situation, or set of circumstances that existed at the date of the financial statements will change in the near term due to one or more future confirming events.

    b. The effect of the change would be material to the financial statements.

17. Risks associated with concentrations, based on information known to management, that meet all of the following criteria have been disclosed in the financial statements:

    a. The concentration exists at the date of the financial statements.

    b. The concentration makes the enterprise vulnerable to the risk of a near-term severe impact.

    c. It is at least reasonably possible that the events that could cause the severe impact will occur in the near term.

18. There are no:

    a. Instances of identified or suspected noncompliance with laws and regulations whose effects

should be considered when preparing the financial statements.

b. Known actual or possible litigation and claims whose effects should be considered when preparing the financial statements that have not been disclosed to you and accounted for and disclosed in accordance with GAAP.

c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB Codification Section C50, *Claims and Judgments*, except as disclosed in note 9 to the financial statements.

19. The CLTC has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral except as disclosed in note 5 to the financial statements.

20. The CLTC has complied with all aspects of contractual agreements that may affect the financial statements.

21. No department or agency of the CLTC has reported a material instance of noncompliance to us.

22. The CLTC has identified all derivative instruments as defined by GASB Codification Section D40, *Derivative Instruments*, and appropriately recorded and disclosed such derivatives in accordance with GASB Codification Section D40.

23. No events have occurred after September 30, 2018, but before May 16, 2019, the date the financial statements were available to be issued that require consideration as adjustments to, or disclosures in, the financial statements.

24. Regarding required supplementary information:

a. We confirm that we are responsible for the required supplementary information.

b. The required supplementary information is measured and presented in accordance with GASB Codification Section 2200, *Comprehensive Annual Financial Report.*

c. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period.

25. Regarding supplementary information:

a. We are responsible for the fair presentation of the supplementary information in accordance with GASB Codification Section 2200, *Comprehensive Annual Financial Report.*

b. We believe the supplementary information, including its form and content, is fairly presented in accordance with GASB Codification Section 2200, *Comprehensive Annual Financial Report.*

c. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period.

26. Management is aware of its requirement to disclose whether, subsequent to September 30, 2018, any changes in internal control or other factors that might significantly affect internal control, including any corrective action taken by management with regard to significant deficiencies and material weaknesses have occurred. However, we represent to you that no such disclosure has been made as no such changes in internal control or such other factors have occurred.

27. During fiscal year 2018, the CLTC implemented the following pronouncements:

- GASB 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.

- GASB Statement No. 81, *Irrevocable Split-Interest Agreements,* which improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

- GASB Statement No. 85, *Omnibus 2017*, which address practice issues that have been identified during implementation and application of certain GASB Statements including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits).

- GASB Statement No. 86, *Certain Debt Extinguishment Issues*, which improves consistency in accounting and financial reporting for in-substance defeasance of debt.

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

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

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

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

31. In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. The provisions in Statement No. 88 are effective for fiscal years beginning after June 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the CLTC.

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

33. In August 2018, GASB issued Statement No. 90, *Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61*, which improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and the relevance of financial statement information for certain component units. The provisions in Statement No. 90 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the CLTC.

34. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, line of credit, or similar arrangements have been properly disclosed in the financial statements.

35. 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 primary government not to purchase commercial insurance for the risks of loss to which it is exposed. Instead, the 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 its General 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 risks in any of the past three fiscal years.

36. We have appropriately identified and properly recorded and disclosed in the financial statements, where applicable, all interfund transactions, including repayment terms.

37. Receivables recorded in the financial statements represent valid claims against debtors for sales or other charges arising on or before the balance-sheet date and have been appropriately reduced to their estimated net realizable value.

38. Quantitative and qualitative information regarding the allowance for doubtful accounts has been properly disclosed in the financial statements.

39. No evidence of fraud, possible irregularities, or dishonesty in fiscal operations of federal programs administered by the CLTC has been discovered.

Very truly yours,

Signed: _____
Jack Hattig III
Title: Director

Signed: _____
Joseph Cruz
Title: Program Coordinator III

Chamorro Land Trust Commission
Summary of Uncorrected Financial Statement Misstatements
Year Ended September 30, 2018

CURRENT YEAR UNCORRECTED MISSTATEMENTS				
Entry Description	Assets Dr (Cr)	Liabilities Dr (Cr)	Net Assets Beg of Year Dr (Cr)	Revenues & Expenses Dr (Cr)
To correct overstatement of accrued payroll		5,852		(5,852)
To correct overstatement of interfund liability		16,911		(16,911)
To correct understatement of lease receivable and related deferred revenue	32,282	(45,455)		13,173
Total Misstatements	32,282	(22,692)		(9,590)