Guam Legislature Clerks <clerks@guamlegislature.org>

Messages and Communications for Doc. No. 36GL-22-1886*

1 message

Committee on Rules 36GL <cor@guamlegislature.org> Tue, Apr 12, 2022 at 11:26 AM
To: Clerks <clerks@guamlegislature.org>, Rennae Meno <rennae@guamlegislature.org>
Cc: "Speaker Therese M. Terlaje" <speaker@guamlegislature.org>

Håfa Adai Clerks,

Please see attached M&C Doc. No. 36GL-22-1886 for processing:

36GL-22-1886	Chamorro Land Trust Commission FY 2021 Financial Audit Reports*	Office of Public Accountability

Si Yu'os Ma'åse',

COMMITTEE ON RULES
Vice Speaker Tina Rose Muña Barnes
36th Guam Legislature
I Mina'trentai Sais Na Liheslaturan Guåhan
163 Chalan Santo Papa Hågatña Guam 96910
Email: cor@guamlegislature.org

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From: **Speaker Therese M. Terlaje** <speaker@guamlegislature.org>
Date: Mon, Apr 11, 2022 at 6:11 PM
Subject: Messages and Communications for 36GL-22-1886*
To: Legislative Secretary Amanda Shelton <officeofsenatorshelton@guamlegislature.org>, Committee on Rules 36GL <cor@guamlegislature.org>

Håfa Adai,

Please see attached M&C Doc. No. 36GL-22-1886*

36GL-22-1886	Chamorro Land Trust Commission FY 2021 Financial Audit Reports*	Office of Public Accountability

Si Yu'os Ma'åse',

Marie Cruz
Community Relations Liaison

Office of Speaker Therese M. Terlaje
Committee on Health, Land, Justice and Culture
I Mina'trentai Sais na Liheslaturan Guåhan
36th Guam Legislature
Guam Congress Building, 163 Chalan Santo Papa, Hagåtña, Guam 96910
T: (671) 472-3586 F: (671) 989-3590 Email: senatorterlajeguam@gmail.com
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Date: Mon, Apr 11, 2022 at 3:19 PM
Subject: Fwd: Transmittal: Chamorro Land Trust Commission FY 2021 Financial Audit Reports
To: Speaker's Office <speaker@guamlegislature.org>

Office of Speaker Therese M. Terlaje
Committee on Health, Land, Justice and Culture
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Subject: Transmittal: Chamorro Land Trust Commission FY 2021 Financial Audit Reports

To: Benjamin Cruz <bjcruz@guamopa.com>
Cc: Thomas Eladio Battung <tbattung@guamopa.com>

Hafa Adai Senators of the 36th Guam Legislature ,

Transmitted herewith are the OPA Financial Highlights of the **Audited Chamorro Land Trust Commission FY 2021 Financial Statements and Report on Compliance and Internal Controls; Management Letter; and Auditor's Communication with Those Charged with Governance**.

These reports are available for review and download at www.opaguam.org.

36GL-22-1886.pdf
2112K

Speaker Therese M. Terlaje <speaker@guamlegislature.org>

Fwd: Transmittal: Chamorro Land Trust Commission FY 2021 Financial Audit Reports

12

Speaker Therese M. Terlaje
<senatorterlajeguam@gmail.com>
To: Speaker's Office <speaker@guamlegislature.org>

Mon, Apr 11, 2022 at 3:18 PM

Doc Type: 36GL-22-1886
OFFICE OF THE SPEAKER
THERESE M. TERLAJE

04-11 2022
Time: 3:12pm
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Committee on Health, Land, Justice and Culture
I Mina'trentai Sais na Liheslaturan Guåhan
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Guam Congress Building, 163 Chalan Santo Papa, Hagåtña, Guam 96910
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4 attachments

- **CLTC_fs21 [Final Apr 7 2022].pdf**
  577K
- **CLTC_sas21 [Final Apr 7 2022].pdf**
  1187K
- **CLTC_mlc21 [Final Apr 7 2022].pdf**
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- **CLTC_fh21.pdf**
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COMMITTEE ON RULES
RECEIVED:
April 12, 2022
8:00 A.M.

CHAMORRO LAND TRUST COMMISSION

(A GOVERNMENTAL FUND OF THE GOVERNMENT OF GUAM)

FINANCIAL STATEMENTS, ADDITIONAL INFORMATION AND INDEPENDENT AUDITORS' REPORT

YEARS ENDED SEPTEMBER 30, 2021 AND 2020

CHAMORRO LAND TRUST COMMISSION

Years Ended September 30, 2021 and 2020
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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Chamorro Land Trust Commission

Report on the Financial Statements

We have audited the accompanying financial statements of the Chamorro Land Trust Commission (CLTC), which comprise the balance sheets as of September 30, 2021 and 2020, and the related statements of revenues, expenditures, and changes in fund balances for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the CLTC as of September 30, 2021 and 2020, 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 CLTC and are not intended to present fairly the financial position and results of operations of the Government of Guam in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 8 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Other Supplementary Information, as set forth in Section IV of the foregoing table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. The Other Supplementary Information is the responsibility of the CLTC's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The additional information on pages 20 through 23 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 24 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 April 6, 2022, on our consideration of the CLTC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the CLTC's internal control over financing reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the CLTC's internal control over financial reporting and compliance.

Deloitte + Touche LLP

April 6, 2022

CHAMORRO LAND TRUST COMMISSION

Management's Discussion and Analysis
September 30, 2021 and 2020

INTRODUCTION

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

The CLTC was created through Public Law (PL) 12-226 and enacted as Chapter 75 of Title 21, Guam Code Annotated (GCA). CLTC's primary mission was to lease CHamoru Land Trust property to eligible beneficiaries as defined by PL 35-112. Although, the enactment of PL 35-112 and 21GCA75A, CLTC programs have been clearly distinguished as a land restoration program meant to rectify the unjust taking of CHamoru homelands by the United States federal government between 1898 and 1968.

On October 6, 2011, the Governor of Guam issued Reorganization Advisory No. 5, which was later superseded by Advisory No. 9, whereby the CLTC was merged into GovGuam's Department of Land Management (DLM) along with the Guam Ancestral Lands Commission (GALC). On January 16, 2019, the Governor of Guam issued Executive Order (EO) 2019-01 re-establishing the CLTC as a separate agency from DLM and the re-establishment of its Administrative Director position.

The CLTC's Management's Discussion and Analysis (MD&A) provides an overview of CLTC's financial activities for the fiscal years ended September 30, 2021 and 2020. The information enclosed in the MD&A has been prepared by management and it should be read in conjunction with the financial statements and notes which follow this section.

1. Financial Highlights

- Total assets exceeded total liabilities and deferred inflows of resources by $3,205,228 as of September 30, 2021 as compared to $3,227,715 at the end of the prior year.

- Total assets as of September 30, 2021 increased by $27,564 (or 1%) as compared to September 30, 2020.

- Total liabilities and deferred inflows of resources as of September 30, 2021 increased by $50,051 (or 7%) as compared to September 30, 2020.

- Total fund balance as of September 30, 2021 decreased by $22,487 (or 1%) as compared to September 30, 2020.

- Total revenues of $975,886 for the year ended September 30, 2021 decreased by $213,207 (or 18%) as compared to $1,189,093 for the prior year. Total expenditures of $998,373 for the year ended September 30, 2021 decreased by $27,126 (or 3%) as compared to $1,025,499 for the prior year. This resulted in a decrease in fund balance of $22,487 for the year ended September 30, 2021 as compared to an increase of $163,594 for the prior year.

2. Overview of the Financial Statements

The CLTC's financial statements include all of the activities of the CHamoru Land Trust Operations Fund, the CHamoru Loan Guarantee Fund, and CHamoru Land Trust Survey and Infrastructure Fund. The financial statements include a Balance Sheet as of September 30, 2021 and 2020 and a Statement of Revenues, Expenditures, and Changes in Fund Balance for the years then ended. Notes to the financial statements are additional information needed to provide further understanding of the basic financial statements.

3. Financial Statement Analysis

CLTC's Balance Sheets

The balance sheet discloses information on the CLTC's assets, liabilities and deferred inflows of resources, and fund balance at year-end. The condensed summary of the CLTC's balance sheets shown below as of September 30, 2021 as compared as of September 30, 2020 and 2019.

	2021	2020	Change	Total Percentage Change 2021-2020	2019
Assets:					
Cash and cash equivalents	$ 2,097,029	$ 2,423,356	$ (326,327)	(13)%	$ 2,234,298
Receivables, net	673,764	650,386	23,378	4%	624,724
Due from GovGuam	334,393	231,072	103,321	45%	301,352
Restricted assets	872,495	645,303	227,192	35%	641,348
Total assets	**$ 3,977,681**	**$ 3,950,117**	**$ 27,564**	**1%**	**$ 3,801,722**
Liabilities:					
Accrued payroll and other liabilities	$ 17,683	$ 8,595	$ 9,088	106%	$ 32,581
Total liabilities	**17,683**	**8,595**	**9,088**	**106%**	**32,581**
Deferred inflows of resources:					
Deferred revenues	754,770	713,807	40,963	**6%**	705,020
Total liabilities and deferred inflows of resources	**772,453**	**722,402**	**50,051**	**7%**	**737,601**
Fund balance:					
Restricted	872,495	645,303	227,192	35%	641,348
Committed	2,327,168	2,498,134	(170,966)	(7)%	2,402,402
Assigned	5,565	84,278	(78,713)	(93)%	20,371
	3,205,228	3,227,715	(22,487)	(1)%	3,064,121
Total liabilities, deferred inflows of resources and fund balance	**$ 3,977,681**	**$ 3,950,117**	**$ 27,564**	**1%**	**$ 3,801,722**

3. Financial Statement Analysis, Continued

Total assets increased by $27,564 (or 1%) in 2021 compared to 2020 primarily due to the increase in restricted cash and cash equivalents, receivables and GovGuam interfund receivables offset by a decrease in unrestricted cash and cash equivalents. Interfund receivable from GovGuam increased due to timing of settlement of interfund balances resulting from CLTC revenue collections and vendor payments recorded in GovGuam's General Fund.

Total liabilities and deferred inflows of resources increased by $50,051 (or 7%) in 2021 compared to 2020 primarily due to the increase in accrued payroll liabilities and deferred revenues. The increase in deferred revenues is primarily due to the increase in lease revenues that do not meet the "available" criterion for revenue recognition under the modified accrual basis of accounting.

Total fund balance decreased by $22,487 (or 1%) in 2021 compared to 2020 due to the difference between 2021 revenues earned and expenditures incurred compared to 2020.

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

The statement of revenues, expenditures and changes in fund balance discloses information on the CLTC's revenues and expenditures for the year. The condensed summary of the CLTC's revenues and expenditures shown below for the year ended September 30, 2021 as compared with the years ended September 30, 2020 and 2019.

	2021	2020	Change	Total Percentage Change 2021-2020	2019
Revenues:					
Lease rentals	$ 606,013	$ 741,082	$ (135,069)	(18)%	$ 828,389
Royalties	194,646	229,855	(35,209)	(15)%	-
Payments in lieu of taxes	163,910	139,397	24,513	18%	147,635
Proceeds from sale of land	-	58,600	(58,600)	(100)%	250,300
Interest income and other	11,317	20,159	(8,842)	(44)%	14,209
Total revenues	**975,886**	**1,189,093**	**(213,207)**	**(18)%**	**1,240,533**
Expenditures:					
Salaries, wages and benefits	755,228	796,120	(40,892)	(5)%	721,619
Contractual services	89,396	67,069	22,327	33%	51,209
Building rent	124,390	124,390	-	0%	124,390
Miscellaneous and other	29,359	37,920	(8,561)	(23)%	47,083
Total expenditures	**998,373**	**1,025,499**	**(27,126)**	**(3)%**	**944,301**
Net change in fund balance	(22,487)	163,594	(186,081)	(114)%	296,232
Fund balance:					
Beginning of year	3,227,715	3,064,121	163,594	5%	2,767,889
Ending of year	**$ 3,205,228**	**$ 3,227,715**	**$ (22,487)**	**(1)%**	**$ 3,064,121**

3. Financial Statement Analysis, Continued

Total revenues decreased by $213,207 (or 18%) from $1,189,093 in 2020 to $975,886 in 2021. The decrease in revenues for 2021 was primarily due to the decrease in lease rental revenues, royalty payments and land sale proceeds. Lease rental revenues decreased by $135,069 (or 18%) from $741,082 in 2020 to $606,013 in 2021 due to increased delinquency in collections from tenants. Royalty revenues decreased by $35,209 (or 15%) from $229,855 in 2020 to $194,646 in 2021 due to a cease and desist order on quarrying activities issued by the CLTC. In 2020, the CLTC recognized land sale proceeds of $58,600 whereby the CLTC sold one parcel of land located in the Municipality of Agana Heights. No land sales occurred in 2021.

Total expenditures decreased by $27,126 (or 3%) from $1,025,499 in 2020 to $998,373 in 2021. The decrease in expenditures for 2021 was primarily due to a decrease in the CLTC operational costs, which is a direct continuing result of the Governor's EO 2019-01 re-establishing the CLTC as a separate agency from DLM and the re-establishment of its Administrative Director position.

Management's Discussion and Analysis for the year ended September 30, 2020 is set forth in CLTC's report on the audit of financial statements, which is dated March 29, 2021. That Management Discussion and Analysis explains the major factors impacting the 2020 financial statements and may be obtained from the information below.

4. Challenges and Accomplishments

The "Settlement Agreement between the United States of America and the Government of Guam" signed by the Governor of Guam and CHamoru Land Trust Commission (CLTC) on May 29, 2020 demonstrates that the CLTC program is a land restoration program intended to resolve the unjust taking of CHamoru homelands by the United States federal government between 1989 to 1968. Such would expand the program's eligible beneficiaries to include individuals and their descendants who owned land or who ranched, farmed, or otherwise occupied the land that was taken. In summary, the settlement agreement amended, modified, revised specific classifications, added specific sections, and changed the eligibility requirements. Any lease application that has not been processed prior to January 1, 2021 must now adhere to the eligibility requirements set forth in 21 GCA 75A to be an eligible beneficiary for CLTC's residential or agricultural programs.

The CLTC's land inventory consists of approximately 33% of GovGuam property. The transfer of administrative control was authorized through an administrative transfer in 1995. As of September 30, 2021, the CLTC land inventory totaled 11,666.88 acres. Of the total amount, 4,153.48 acres are located in the south; 1,601.45 acres in the central; and 5,911.95 acres are in the north. Furthermore, 3,274.98 acres of CLTC's total land inventory is unregistered property. As a result, the CLTC by law is prohibited from issuing any leases on unregistered property until a title of ownership is established through judicial land registration.

As of September 30, 2021, the CLTC had leased a combined total acreage of 3,046.49 acres for the residential and agricultural programs, which is an increase of 6.64 acres compared to 3,039.85 acres leased as of September 30, 2020. The increase is attributed to 6 new leases being executed. The CLTC's cumulative lease issuance total as of September 30, 2021 was 2,907, which is an increase of 6 compared to 2,901 as of September 30, 2020. The CLTC has placed a moratorium on the adjudication of all leases that have been deemed null and void by a legal opinion issued by the Office of the Attorney General on May 11, 2018. This is due to the fact that Legal Counsel has proposed additional Board authority that would resolve most, if not all, null and void leases.

4. Challenges and Accomplishments, Continued

In FY2021, the CLTC issued one (1) Home Loan Guarantee. As of September 30, 2021, the CLTC's Home Loan Guarantee Program's contingent liability totaled $10,378,793, which is a decrease of $117,337 compared to $10,496,130 as of September 30, 2020. The decrease is the net effect of a Home Loan being paid in full and on-time payments plus the issuance of a new Loan Guarantee. Also, during FY2021, no Home Loans were foreclosed due to nonpayment. The CLTC continues to keep an open dialogue with all lending institutions and agencies that are servicing the CLTC's Loan Guarantee Program. The CLTC does not foresee any potential defaults or foreclosures occurring due to the authority granted through the CHamoru Land Trust Act to "offer and reassign to the next qualified applicant the opportunity to assume any loan in default guaranteed by the Chamorro Loan Guarantee Fund."

The CLTC's commercial leasing program is conducted within the parameters of Public Law 33-95 also known as the CHamoru Land Trust Commercial Rules and Regulations. In FY2021, the CLTC did not issue any new commercial licenses/leases. The CLTC did extend one commercial license for one year and another for twenty-one (21) years as authorized in the license.

In addition to the leasing programs, the CLTC is accountable for several revolving and special funds. The revolving funds are known as the Beneficiary Home Loan Fund, the Beneficiary Commercial Loan Fund, and the Beneficiary Home Repair Fund. The special funds are known as the Beneficiary Home Development Fund, the Beneficiary Educational Assistance Fund, Beneficiary Land Trust Operation Fund, Beneficiary Loan Guarantee Fund and the Chamorro Land Trust Survey and Infrastructure Fund. As of September 30, 2021, the Beneficiary Home Loan Fund, the Beneficiary Commercial Loan Fund, the Beneficiary Home Repair Fund, the Beneficiary Home Development Fund, and the Beneficiary Educational Assistance Fund were classified as dormant and unfunded.

As of September 30, 2021, the CLTC's Board consisted of three (3) members and a staffing level of ten (11) employees tasked to perform the CLTC's mission, mandates, and day-to-day operations. The CLTC's staffing level decreased by one (1) compared to the staffing level of twelve (12) as of September 30, 2021. In addition to the requirements set forth in the Government of Guam Personnel Rules and Regulations for employment, the CLTC's Commissioners, Administrative Director, and employees are required, as part of the Settlement Agreement with the United States of America, within one hundred eighty (180) days after the effective date of the Settlement Agreement to attend an in-person education and training program on the requirements of the Fair Housing Act, including the prohibitions against discrimination based on race and national origin. Moreover, any newly appointed or recruited personnel will have thirty (30) days to complete the training.

A continuing challenge for the CLTC is the ability to provide a survey and installation of basic infrastructure to leased properties. As of September 30, 2021, the CLTC was unable to identify a sufficient funding source to conduct surveys and utility installations for leased properties. As a result, lessees have continued to pay for surveying and utility connection expenses. Another challenge is the timely remittance of funds. Currently, all revenues collected from the CLTC's revenue generating activities are received by the Treasurer of Guam. As result, the revenues become a part of GovGuam's daily cash flow. What has occurred in the past is that revenue collections were not remitted to the respective funds and were instead recorded as a receivable from GovGuam. Due to the economic conditions and the financial condition of GovGuam as of September 30, 2017, the CLTC had to apply the standards of GASB 34 Pronouncement, which resulted in a permanent transfer being recorded due to the inability of the General Fund to pay and the CLTC to collect. As of September 30, 2021, the CLTC reported a $334,393 due from GovGuam.

5. Outlook

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

Contacting the CHamoru Land Trust Commission Financial Management

This report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the CLTC's finances and to show the CLTC's accountability and transparency for the money it receives. Questions concerning any of the information provided in this report or request for additional information should contact Angela Camacho, Acting Administrative Director at (671) 649-5263 ext. 815 or email angela.camacho@cltc.guam.gov.

CHAMORRO LAND TRUST COMMISSION

Balance Sheets
September 30, 2021 and 2020

	2021	2020
ASSETS		
Cash and cash equivalents	$ 2,097,029	$ 2,423,356
Receivables, net:		
Commercial	639,988	616,610
Other	33,776	33,776
Due from GovGuam	334,393	231,072
Restricted assets:		
Cash and cash equivalents	572,495	345,303
Time certificates of deposit	300,000	300,000
Total assets	$ 3,977,681	$ 3,950,117
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Liabilities:		
Accrued payroll and other liabilities	$ 17,683	$ 8,595
Deferred inflows of resources:		
Deferred revenues	754,770	713,807
Total liabilities and deferred inflows of resources	772,453	722,402
Commitments and contingencies		
Fund balance:		
Restricted	872,495	645,303
Committed	2,327,168	2,498,134
Assigned	5,565	84,278
Total fund balance	3,205,228	3,227,715
Total liabilities, deferred inflows of resources and fund balance	$ 3,977,681	$ 3,950,117

See accompanying notes to financial statements.

CHAMORRO LAND TRUST COMMISSION

Statements of Revenues, Expenditures, and Changes in Fund Balances
Years Ended September 30, 2021 and 2020

	2021	2020
Revenues:		
Lease rentals:		
Commercial	$ 603,755	$ 738,406
Agricultural and residential	2,258	2,676
Royalties	194,646	229,855
Payment in lieu of real property taxes	163,910	139,397
Collections from Land for the Landless program	9,420	15,029
Interest income	1,147	4,030
Land trust application fees	750	1,100
Proceeds from sale of land	-	58,600
Total revenues	975,886	1,189,093
Expenditures:		
Salaries and wages - regular	526,591	574,887
Salaries and wages - fringe benefits	147,512	165,713
Building rent	124,390	124,390
Contractual services	89,396	67,069
Health benefits	81,125	55,520
Capital outlay	4,963	-
Communications	4,667	4,640
Supplies	2,674	4,645
Miscellaneous	17,055	28,635
Total expenditures	998,373	1,025,499
Net change in fund balances	(22,487)	163,594
Fund balances at beginning of year	3,227,715	3,064,121
Fund balances at end of year	$ 3,205,228	$ 3,227,715

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 eligible beneficiaries through residential, agricultural, and commercial leases. The CLTC is responsible for the disposition of Chamorro Homelands pursuant to mandates to advance the social, cultural and economic development and well-being of the Chamorro people.

The accompanying financial statements relate solely to those accounting records maintained by the CLTC, and do not incorporate any accounts related to other departments or agencies within GovGuam.

The CLTC is governed by a five-member Board of Commissioners appointed by the Governor of Guam.

In 2011, the Governor of Guam issued Reorganization Advisory No. 5, which was later superseded by Advisory No. 9, whereby the CLTC was merged into the GovGuam Department of Land Management along with the Guam Ancestral Lands Commission. In 2019, the Governor of Guam issued Executive Order 2019-01 re-establishing the CLTC as a separate agency from DLM and the re-establishment of the CLTC Administrative Director position.

(2) Summary of Significant Accounting Policies

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the CLTC's accounting policies are described below:

Measurement Focus and Basis of Accounting

The CLTC reports its financial position and the results of operations in governmental funds. A fund is a separate accounting entity with a self-balancing set of accounts. They are concerned only with the measurement of financial position and are not involved with measurement of results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds).

The special revenue funds currently reported by the CLTC are as follows:

- The Chamorro Land Trust Operations Fund - this fund was created for the purpose of accounting for the receipt of all land use permits, monetary contributions and fees and for the payment of operational expenses associated with the CLTC.

- The Chamorro Loan Guarantee Fund - this fund was created for the purpose of accounting for applicable taxes on Chamorro Homelands collected by the GovGuam Department of Revenue and Taxation earmarked for loan guarantees issued by governmental agencies or lending institutions to eligible borrowers holding leases or licenses of Chamorro Homelands. During the years ended September 30, 2021 and 2020, the GovGuam Department of Revenue and Taxation collected $163,910 and $139,397, 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 CLTC land and for the operational needs in support thereof. In 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, 2021 and 2020, the CLTC collected $9,420 and $15,029, respectively, including interest charged, from the outstanding balances.

Basis of Presentation

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included in the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the CLTC considers revenues to be available if they are collected within 90 days of the end of the current fiscal period.

Significant revenues susceptible to accrual include revenue received from residential, agricultural, and commercial leases. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred.

Cash and Time Certificates of Deposit

The CLTC has the power and authority to invest and re-invest any of the money in any of its funds, not otherwise immediately needed for the purposes of the funds in such bonds and securities authorized in 5 GCA Chapter 21, *Investments and Deposits*. Custodial credit risk is the risk that in the event of a bank failure, the CLTC's deposits may not be returned to it. Such deposits are not covered by depository insurance and are either uncollateralized or collateralized with securities held by the pledging financial institution or held by the pledging financial institution but not in the depositor-government's name. The CLTC does not have a deposit policy for custodial credit risk.

For the purposes of the balance sheets, cash is defined as cash in checking and savings accounts. Deposits maintained in time certificates of deposit with original maturity dates greater than three months are separately classified on the balance sheets. As of September 30, 2021 and 2020, the carrying amount and corresponding bank balances of the CLTC's cash and time certificates of deposit were $2,969,524 and $3,068,659, respectively. Bank balances are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2021 and 2020, bank deposits in the amount of $250,000 were FDIC insured.

(2) Summary of Significant Accounting Policies, Continued

Cash and Time Certificates of Deposit, Continued

In accordance with 5 GCA 21, *Investments and Deposits*, the CLTC requires collateralization of deposits in excess of depository insurance limits in an amount in value at least ten percent in excess of the amount of monies deposited with the financial institution. Such collateralization shall be in securities in U.S. treasury notes or bonds or in U.S. government agencies for which the faith and credit of the United States are pledged for the payment of principal and interest; evidence of indebtedness of GovGuam; investment certificates of the Federal Home Loan Bank; or such other securities as may be approved by the Director of Administration and the Governor of Guam. As of September 30, 2021 and 2020, substantially all of the CLTC's bank deposits in excess of depository insurance limits are collateralized with securities held by the pledging financial institution but not in the CLTC's name.

Receivables

Receivables are due from individuals and businesses residing on the island of Guam and are uncollateralized and non-interest bearing. The allowance for doubtful accounts is stated at an amount which management believes will be adequate to absorb possible losses on accounts receivable that may become uncollectible based on evaluations of the collectability of these accounts and prior collection experience.

Interfund Receivables

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

Deferred Inflows of Resources

In the governmental fund financial statements, deferred inflows of resources consist of unavailable base and participation rent revenues, which is revenue that does not meet the "available" criterion for revenue recognition under the modified accrual basis of accounting.

Fund Balance

Governmental fund balances are classified as follows:

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

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

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

Restricted/committed amounts are spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit from doing this. In addition, committed, then assigned amounts of unrestricted fund balance are expended in that order. A formal minimum fund balance policy has not been adopted.

(2) Summary of Significant Accounting Policies, Continued

Management Estimates

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

Encumbrances

The CLTC utilizes encumbrance accounting to identify fund obligations. Encumbrances represent commitments related to unperformed contracts for goods. As of September 30, 2021 and 2020, the CLTC has encumbrances of $5,565 and $84,278, respectively.

New Accounting Standards

During the year ended September 30, 2021, the CLTC implemented the following pronouncements:

- GASB Statement No. 84, *Fiduciary Activities*, which improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

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

- GASB Statement No. 93, *Replacement of Interbank Offered Rates*, which establishes accounting and reporting requirements related to the replacement of Interbank Offered Rates such as the London Interbank Offered Rate (LIBOR) for hedging derivative instruments. The provision removing LIBOR as an appropriate benchmark interest rate for the evaluation of the effectiveness of derivative instruments is effective for the year ended September 30, 2022.

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

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

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

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

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

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

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

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

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

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

In October 2021, GASB issued Statement No. 98, *The Annual Comprehensive Financial Report*. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 98 will be effective for fiscal year ending September 30, 2022.

(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, 2021 and 2020, including the applicable allowance for uncollectible accounts, are as follows:

	2021	2020
Receivables:		
Commercial lease	$ 1,535,865	$ 1,159,730
Others	33,776	33,776
	1,569,641	1,193,506
Less allowance for uncollectible accounts	(895,877)	(543,120)
	$ 673,764	$ 650,386

(5) Restricted Assets

The CLTC maintains a savings deposit and time certificates of deposit as of September 30, 2021 and 2020 in the amount of $872,495 and $645,303, 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. No losses have occurred as a result of this collateralization arrangement in any of the past three fiscal years.

(6) Related Party Transactions

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

Certain developed land supported by a valid lease is held as investments in land and other real estate within a permanent fund of GovGuam. Such investment is recorded at fair value whereas other undeveloped land not supported by a lease is reported at historical cost. As of September 30, 2021 and 2020, such land is valued at $454,131,585 and $453,106,926, respectively, of which $445,468,993 and $444,444,334, is held by the CLTC. Fair value is based on estimated current value (primarily assessed real estate property tax valuations) and appraisals. Investments that do not have an established market are reported at estimated fair value. Earnings from leases associated with these investments are reported as revenues of the CLTC.

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

(7) Sale of Land

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

(8) Significant Customers

The CLTC generates revenues from certain major customers that exceed 10 percent or more of the CLTC's total revenues. During the years ended September 30, 2021 and 2020, the CLTC recognized revenues from two customers that represented approximately 74% of total revenues.

(9) Commitments

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

Year Ending September 30,	
2022	$ 837,628
2023	790,277
2024	775,788
2025	790,771
2026	764,478
2027 - 2031	3,863,901
2032 - 2036	3,338,306
2037 - 2041	1,310,125
2042 - 2046	18,005
2047	1,801
	$ 12,491,080

(10) Contingencies

Loan Guarantee

The CLTC is authorized to loan or guarantee the repayment of or otherwise underwrite any authorized loan to a Chamorro homeland lessee up to a maximum amount not to exceed the financial ability of the borrower. In the event of default, these loan guarantees may shift the lender's default risk entirely to the CLTC whereby the lender may call upon the CLTC to make partial or full payment of the guaranteed loan. As of September 30, 2021, the CLTC has guaranteed loans totaling $10,378,793 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. No losses have occurred as a result of this collateralization arrangement in any of the past three fiscal years.

Lawsuit and Claims

In 2017, the U.S. Department of Justice (DOJ) informed GovGuam through a letter that the DOJ has completed its investigation and has authorized the filing of a complaint in federal district court against GovGuam, the CLTC, and the CLTC's Administrative Director. The complaint will allege that GovGuam, through the CLTC and the Administrative Director, denied a dwelling to a person or persons because of race or national origin; discriminated in the terms, conditions, or privileges of sale or rental of dwellings, and/or in the provision of services or facilities in connection therewith because of race or national origin; and made statements and advertisements with respect to the rental of a dwelling that indicate a preference, limitation or discrimination based on race or national origin in violation of the FHA, 42 U.S.C. §§ 3604 (a), (b), (c). The complaint will also allege that the defendants discriminated because of race or national origin in making available, or in the term or conditions of, residential real estate related transactions in violation of the Fair Housing Act, 42 U.S.C. § 3605 (a).

(10) Contingencies, Continued

Lawsuit and Claims, Continued

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

Litigation

CLTC is party to certain legal proceedings arising from governmental operations; however, the Attorney General of Guam is unable to assess the likelihood of potential liabilities related to claims outstanding as of September 30, 2021. Hence, it is not possible to predict a reasonable estimation of these claims and, therefore, no provision for any liability that may result has been made in the accompanying financial statements.

CHAMORRO LAND TRUST COMMISSION

Combining Balance Sheet
September 30, 2021

	Chamorro Land Trust Operations Fund	Chamorro Loan Guarantee Fund	Chamorro Land Trust Survey and Infrastructure Fund	Combined Total	Eliminations	Total
ASSETS						
Cash and cash equivalents	$ 2,096,362	$ -	$ 667	$ 2,097,029	$ -	$ 2,097,029
Receivables:						
Commercial	628,882	5,550	5,556	639,988	-	639,988
Other	33,776	-	-	33,776	-	33,776
Due from GovGuam	-	224,899	247,216	472,115	(137,722)	334,393
Restricted assets:						
Cash and cash equivalents	-	572,495	-	572,495	-	572,495
Time certificates of deposit	-	300,000	-	300,000	-	300,000
Total assets	$ 2,759,020	$ 1,102,944	$ 253,439	$ 4,115,403	$ (137,722)	$ 3,977,681
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE						
Liabilities:						
Accrued payroll and other liabilities	$ 7,612	$ -	$ 10,071	$ 17,683	$ -	$ 17,683
Due to GovGuam	136,542	-	1,180	137,722	(137,722)	-
Total liabilities	144,154	-	11,251	155,405	(137,722)	17,683
Deferred inflows of resources:						
Deferred revenues	748,440	3,539	2,791	754,770	-	754,770
Total liabilities and deferred inflows of resources	892,594	3,539	14,042	910,175	(137,722)	772,453
Fund balance:						
Restricted	-	872,495	-	872,495	-	872,495
Committed	1,860,861	226,910	239,397	2,327,168	-	2,327,168
Assigned	5,565	-	-	5,565	-	5,565
Total fund balance	1,866,426	1,099,405	239,397	3,205,228	-	3,205,228
Total liabilities and fund balance	$ 2,759,020	$ 1,102,944	$ 253,439	$ 4,115,403	$ (137,722)	$ 3,977,681

See Accompanying Independent Auditors' Report.

CHAMORRO LAND TRUST COMMISSION

Combining Balance Sheet
September 30, 2020

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

See Accompanying Independent Auditors' Report.

CHAMORRO LAND TRUST COMMISSION

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended September 30, 2021

	Chamorro Land Trust Operations Fund	Chamorro Loan Guarantee Fund	Chamorro Land Trust Survey and Infrastructure Fund	Total
Revenues:				
Lease rentals:				
Commercial	$ 591,865	$ -	$ 11,890	$ 603,755
Agricultural and residential	-	-	2,258	2,258
Royalties	194,646	-	-	194,646
Collections from Land for the Landless program	-	-	9,420	9,420
Payments in lieu of real property taxes	-	163,910	-	163,910
Land trust application fees	750	-	-	750
Interest income	726	421	-	1,147
Total revenues	787,987	164,331	23,568	975,886
Expenditures:				
Salaries and wages - regular	422,653	-	103,938	526,591
Salaries and wages - fringe benefits	105,270	-	42,242	147,512
Health benefits	81,125	-	-	81,125
Contractual services	89,246	-	150	89,396
Building rent	124,390	-	-	124,390
Supplies	1,165	-	1,509	2,674
Capital outlays	-	-	4,963	4,963
Communications	4,667	-	-	4,667
Miscellaneous	16,386	571	98	17,055
Total expenditures	844,902	571	152,900	998,373
Net change in fund balances	(56,915)	163,760	(129,332)	(22,487)
Fund balances at beginning of year	1,923,341	935,645	368,729	3,227,715
Fund balances at end of year	$ 1,866,426	$ 1,099,405	$ 239,397	$ 3,205,228

See Accompanying Independent Auditors' Report.

CHAMORRO LAND TRUST COMMISSION

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended September 30, 2020

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

See Accompanying Independent Auditors' Report.

CHAMORRO LAND TRUST COMMISSION

Supplemental Schedule of Employees and Salaries
Years Ended September 30, 2021 and 2020

	2021	2020
Salaries and wages - regular	$ 526,591	$ 574,887
Number of employees:		
Administrator Director	1	1
Land Agents	7	7
Records Management	-	1
Other Administrative Staff	2	1
Engineering Technician	1	2
Total number of employees	11	12

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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Chamorro Land Trust Commission (CLTC), which comprise the balance sheet as of September 30, 2021, 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 April 6, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the CLTC's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the CLTC's internal control. Accordingly, we do not express an opinion on the effectiveness of the CLTC's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be significant deficiencies. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as item 2021-01 that we consider to be a material weakness.

Compliance and Other Matters

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

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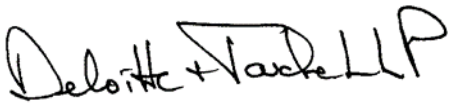
CLTC's Response to the Finding

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

Purpose of this Report

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



April 6, 2022

Finding No. 2021-01 - Coral Extraction Royalties

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

Condition: During the year ended September 30, 2021, the CLTC recorded coral extraction royalties of $194,646 from a construction company for mining activities on CLTC property. These revenues were not evidenced by an underlying agreement between the CLTC and/or lessee and the construction company documenting the rates upon which royalties collected and billed were based. A memo was provided to the lessee dated August 8, 2011, indicating the rate of $0.75 per cubic yard approved by the Board of Commissioners. However, the CLTC billed $1.00 per cubic yard reported by the construction company. No documentation of the rate increase was provided. In addition, evidence of the CLTC's verification of actual coral extracted and reported by the construction company was not provided.

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

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

Recommendation: We recommend that the CLTC establish policies and procedures requiring the verification of actual coral extracted, and adequate documentation of underlying agreements between the parties regarding terms and conditions and the rate per cubic yard extracted.

Prior Year Status: The lack of policies and procedures over coral extraction activities was reported as a finding in the audit of the CLTC for fiscal year 2020.

Auditee Response and Corrective Action Plan: CLTC and the licensee who is operating on a "Right of Entry" agreed that a topographical survey be conducted at the licensee's expense at the beginning and ending of the approved area for the Coral Extraction activities. CLTC did not receive the initial topographical survey in a reasonable time frame and discovered that the licensee had conducted Coral Extraction activities outside of the approved area. CLTC immediately issued a Cease and Desist Order for all Coral Extraction activities. Upon issuance of the Cease and Desist there have been site inspections conducted to ensure that all activity has been halted.

CHAMORRO LAND TRUST COMMISSION

Unresolved Prior Audit Findings
Year Ended September 30, 2021

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

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April 6, 2022

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, 2021, in accordance with auditing standards generally accepted in the United States of America ("generally accepted auditing standards") and have issued our report thereon dated April 6, 2022.

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 November 12, 2021. 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, 2021, in conformity with accounting principles generally accepted in the United States of America ("generally accepted accounting principles"), in all material respects;

- 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

- 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, 2021, 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 2021 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, 2021, we are not aware of any significant changes in accounting estimates or in management's judgments relating to such estimates.

MATERIAL CORRECTED 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. Material misstatements were brought to the attention of management as a result of our audit procedures and were corrected by management during the current period. We have attached to this letter, as Attachment I, a summary of misstatements corrected by management.

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 II, a summary of uncorrected misstatements that we presented to management during the current audit engagement that were determined to by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Uncorrected misstatements or matters underlying these uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even if we have concluded that the uncorrected misstatements are immaterial to the financial statements for the year ended September 30, 2021.

SIGNIFICANT ACCOUNTING POLICIES

The Commission's significant accounting policies are set forth in Note 2 to the Commission's 2021 financial statements. During the year ended September 30, 2021, the Commission implemented the following pronouncements:

- GASB Statement No. 84, *Fiduciary Activities*, which improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

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

- GASB Statement No. 93, *Replacement of Interbank Offered Rates*, which establishes accounting and reporting requirements related to the replacement of Interbank Offered Rates such as the London Interbank Offered Rate (LIBOR) for hedging derivative instruments. The provision removing LIBOR as an appropriate benchmark interest rate for the evaluation of the effectiveness of derivative instruments is effective for the year ended September 30, 2022.

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

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

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

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

SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

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

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

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

In October 2021, GASB issued Statement No. 98, *The Annual Comprehensive Financial Report*. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 98 will be effective for fiscal year ending September 30, 2022.

We have evaluated the significant qualitative aspects of the Commission's accounting practices, including accounting policies, accounting estimates and financial statement disclosures and concluded that the policies are appropriate, adequately disclosed, and consistently applied by management.

DISAGREEMENTS WITH MANAGEMENT

We have not had any disagreements with management related to matters that are material to the Commission's 2021 financial statements.

Deloitte.

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 2021.

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 II, a copy of the representation letter we obtained from management.

EMPHASIS-OF-MATTER PARAGRAPH

Reporting Entity

The financial statements relate solely to those accounting records maintained by the Commission, and do not incorporate any accounts related to other departments or agencies within GovGuam.

The proposed wording of the emphasis-of-matter paragraph follows:

Reporting Entity

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

CONTROL-RELATED MATTERS

We have issued a separate report to you, also dated April 6, 2022, 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 were reported. Although we have included management's written responses to our comments, 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.

CONTROL-RELATED MATTERS, CONTINUED

We have communicated to management, in a separate letter also dated April 6, 2022, certain deficiencies and other matters related to the Commission's internal control over financial reporting.

* * * * * *

CLTC
Summary of Corrected Misstatements
September 30, 2021

Chamorro Land Trust Operations Fund

GL Code	Name	Debit	Credit
	1 RJE To reclass Fringe benefits		
624-114	Health benefit	81,125.48	
624-113	Fringe Benefit		81,125.48
		81,125.48	81,125.48
	To reclass health benefits for FS presentation.		

Signed: _____
Joseph B Cruz Jr. - CLTC Program Coordinator III

Signed: _____
Angela Camacho - CLTC Acting Administrative Director

ATTACHMENT II

Kumision Inangokkon Tano' CHamoru
(CHamoru Land Trust Commission)

P.O. Box 2950 Hagåtña, Guåhan 96932 *Phone: 649-5263 Ext. 815*

Lourdes A. Leon Guerrero
Governor

Joshua F. Tenorio
Lieutenant Governor

Commission Members

John F. Reyes, Jr.
Chairman

Austin J. Duenas
Commissioner

Arlene P. Bordallo
Commissioner

Angela T. Santos
Commissioner

Vacant
Commissioner

Angela M. Camacho
Acting, Administrative Director

April 6, 2022

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 (GovGuam), as of September 30, 2021 and 2020, and the related statements of revenues, expenditures, and changes in fund balance for the years then ended, for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position and results of operations 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 financial statements of financial position of the CLTC in accordance with GAAP.

b. The fair presentation of additional information accompanying the financial statements that is presented for the purpose of additional analysis of the financial statements.

c. 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.

d. 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 stand-alone business-type activities 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 financial statements referred to above are fairly presented in accordance with GAAP. In addition:

   a. The CLTC does not have an equity interest in joint ventures or an interest in any other joint ventures and other related organizations. Such financial statements present only the CLTC and are not intended to present fairly the financial position and results of operations of GovGuam in accordance with GAAP.

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

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

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

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

   f. The CLTC has followed 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.

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

   h. Other supplementary information is measured and presented within prescribed guidelines.

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 meetings of the Board of Commissioners or summaries of actions of recent meetings for which minutes have not yet been prepared. For those minutes of meetings or summaries of actions of recent meetings that have not been prepared and made available to you, no matters were discussed in these meetings that would require adjust to, or disclosure in, the financial statements.

   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 the 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 formal 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's financial statements communicated by 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 Section C50, *Claims and Judgments* except as disclosed in note 10 to the financial statements.

10. The methods, significant assumptions, and the data used by us in making the accounting estimates and the related disclosures are appropriate to achieve recognition, measurement, or disclosure that is in accordance with GAAP.

11. We are responsible for compliance with local, state, and federal laws, rules, and regulations, including compliance with the provisions of grants and contracts relating to the CLTC's operations. We are responsible for understanding and complying with the requirements of the federal statutes and regulations. We are responsible for establishing and maintaining the components of internal control relating to our activities in order to achieve the objectives of providing reliable financial reports, effective and efficient operations, and compliance with laws and regulations. We are responsible for maintaining accounting and administrative control over revenues, obligations, expenditures, assets, and liabilities.

12. We have informed you of all investigations or legal proceedings that have been initiated during the year ended September 30, 2021 or are in process as of September 30, 2021.

13. We are responsible for all nonaudit services performed by you during the year ended September 30, 2021 and through April 6, 2022.

14. We have disclosed to you all deficiencies in the design or operation of internal control over financial reporting identified as part of our evaluation, including separately disclosing to you all such deficiencies that are significant deficiencies or material weaknesses in internal control over financial reporting.

15. No changes in internal control over compliance or other factors that might significantly affect internal control over financial reporting, including any corrective actions taken by the CLTC with regard to significant deficiencies and material weaknesses in internal control over compliance, have occurred subsequent to September 30, 2021.

16. We are responsible for taking corrective action on audit findings and have developed a corrective action plan. We have taken timely and appropriate steps to remedy fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse that you report.

17. 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.

18. We have adopted the provisions of GASB Codification Section 2100, *Defining the Financial Reporting Entity*. No organization meets the criteria established in GASB Codification Section 2100, *Defining the Financial Reporting Entity*, for inclusion as a component unit.

19. During the year ended September 30, 2021, the CLTC implemented the following pronouncements:

    • GASB Statement No. 84, *Fiduciary Activities*, which improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

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

    • GASB Statement No. 93, *Replacement of Interbank Offered Rates*, which establishes accounting and reporting requirements related to the replacement of Interbank Offered Rates such as the London Interbank Offered Rate (LIBOR) for hedging derivative instruments. The provision removing LIBOR as an appropriate benchmark interest rate for the evaluation of the effectiveness of derivative instruments is effective for the year ended September 30, 2022.

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

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

Statement No. 95, GASB Statement No. 87 will be effective for fiscal year ending September 30, 2022.

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

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

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

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

25. In May 2020, GASB issued Statement No. 96, Subscription-Based Information Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription

liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 96 will be effective for fiscal year ending September 30, 2023.

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

27. In October 2021, GASB issued Statement No. 98, *The Annual Comprehensive Financial Report.* This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 98 will be effective for fiscal year ending September 30, 2022.

Except where otherwise stated below, matters less than $8,000 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.

28. Except as listed in Appendix A, there are no transactions that have not been properly recorded and reflected in the financial statements.

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

30. 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 the 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.

31. 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.

32. 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.

33. There are no:

    a. Instances of identified or suspected noncompliance with laws and regulations, or provisions of contracts or grant agreements 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. Known actual or likely instances of abuse that have occurred that could be quantitatively or qualitatively material to the financial statements.

    d. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by Section C50, *Claims and Judgments*, except as disclosed in note 10 to the financial statements.

34. 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. The CLTC maintains a savings deposit and time certificates of deposit as of September 30, 2021 and 2020 in the amount of $872,495 and $645,303, 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. No losses have occurred as a result of this collateralization arrangement in any of the past three fiscal years.

35. The CLTC has complied with all aspects of contractual agreements that may have an effect on the financial statements in the event of noncompliance.

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

37. 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.

38. No evidence of fraud, possible irregularities, or dishonesty in fiscal operations of

programs administered by the CLTC has been discovered.

39. No events have occurred after September 30, 2021, but before April 6, 2022, the date the financial statements were available to be issued that require consideration as adjustments to or disclosures in the financial statements.

40. 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.*

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

42. Regarding supplementary information:

    a. We are responsible for the preparation and 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.

43. 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.

44. 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. The CLTC has elected to purchase commercial insurance from independent third parties for the risks of loss to which it is exposed. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

45. As of September 30, 2021, the CLTC has guaranteed loans totaling $10,378,793 for Chamorro homeland residential lessees. 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. 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 financial statements. No losses have occurred as a result of this collateralization arrangement in any of the past three fiscal years.

46. The CLTC management has acknowledged and identified the financial impact of the COVID-19 pandemic on the CLTC's financial position. The CLTC management, based on its reasonable assessment, determined that the COVID-19 pandemic may not significantly impact financial position and, as a result, not warrant additional adjustment to or disclosure in the financial statements for the year ended September 30, 2021.

Very truly yours,

Signed: _____
Angela Camacho
Title: Acting Administrative Director

Signed: _____
Joseph B. Cruz, Jr.
Title: Program Coordinator III

APPENDIX A

Chamorro Land Trust Commission
Summary of Uncorrected Misstatements
Year Ended September 30, 2021

	Assets		Liabilities		Equity		Income	
	Dr.	(Cr.)	Dr.	(Cr.)	Dr.	(Cr.)	Dr.	(Cr.)
To correct understatement of leases receivable	4,041			(12,589)			8,548	
To correct overstatement of accrued payroll			11,595					(11,595)
	6,005			(2,061)			2,061	(6,005)

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April 6, 2022

Ms. Angela Camacho
Acting Administrative Director
Chamorro Land Trust Commission
P.O. Box 2950
Hagatna, GU 96932

Dear Ms. Camacho:

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, 2021 (on which we have issued our report dated April 6, 2022), 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, 2021, that we wish to bring to your attention.

We have also issued a separate report to the Board of Commissioners, also dated April 6, 2022, 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, 2021 that we wish to bring to your attention:

(1) Leases

Commercial

a. During the year ended September 30, 2021, the CLTC collected annual rental fees of $2,207 without a formal signed lease. Thus, we were unable 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, the CLTC did not provide an appraisal or equivalent to substantiate the market value of the leased lands. Accordingly, current rental fees billed remained at the same rate as per the initial lease.

- Lot No. 7159, Yigo (Annual lease of $1,200)
- Lot No. 7717-4, Yigo (Annual lease of $3,720)
- Lot No. 10125-11-R2, Dededo (Annual lease of $1,310)
- Lot No. 10129-3, Dededo (Annual lease of $1,310)
- Lot No. 278-5, Umatac (Annual lease of $1,749)
- Lot No. 102-2, Yona (Annual lease of $944)
- Lot No. 212 Umatac (Annual lease of $312)
- Lot No. 10125-R12-1 Dededo (Annual lease rental of $836)
- Lot No. 5419-3-1, Mangilao (Annual lease rental of $1,080)
- Lot No. 7117-4-1, Yigo (Annual lease rental of $4,200)
- Lot No. 7160-3-1, Yigo (Annual lease rental of $3,120)
- Lot No. 10129-4 Dededo (Annual lease rental of $4,192)
- Lot No. 470-2-1 Santa Rita (Annual lease rental of $3,780)
- Lot No. 278-24 Umatac (Annual lease rental of $4,497)
- Lot No. 10-1, Block D, Tract 9, Barrigada Heights (Annual lease of $10,200)

c. CLTC continues to receive collections for the following properties with expired lease agreements and without a formal lease extension:

- Lot No. 17-1-1, Block F, Tract 9, Barrigada (Annual lease rental of $6,240)
- Lot No. 354-7 Inarajan (Annual lease rental of $3,840)
- Lot No. 7161-R1 Yigo (Annual lease rental of $48,000)
- Lot No. 10125-R12-1 Dededo (Annual lease rental of $836)
- Lot No. 7117-4-1, Yigo (Annual lease rental of $4,200)
- Lot No. 5149-6, Dededo (Annual lease rental of $5,735)
- Lot No. 10-4, Block D, Tract 9, Barrigada (Annual lease rental of $16,184)

Agricultural

a. A certain lessee holds two separate leases (a portion of Tract 1021, Block 2, Lot 1-4, Dededo and a portion of Lot 7153, Yigo) with a lot size of one acre each, situated in Dededo and Yigo, which leases were signed in 1998 and 2003, respectively.

b. A certain lessee holds two separate leases (Lot 243-REM-3, Santa Rita and a portion of Lot 243-REM, Santa Rita) with a lot size of less than half an acre each, both situated in Santa Rita, which leases were signed in July 2002 and December 2002, respectively.

SECTION I - CONTROL DEFICIENCIES, CONTINUED

(1) Leases, Continued

Agricultural, Continued

c. 4 new or transferred lessees in the prior year and 4 new/transferred leases in the current year, with a lot size exceeding the authorized Board approval limit of 0.50 acre, had licenses issued without legislature approval.

- Lot 7-R1, Block 4B, Tract 1021, Dededo (Lot size 14,397 square meters)
- A portion of lot 5402, Mangilao (Lot size of 5 acres)
- Lot 421-2, Talofofo (Lot size 15,598+/- square meters)
- Lot 7-R1, Block 4B, Tract 1021, Dededo (Lot size 14,397 square meters)

These leases were classified by the CLTC as subsistence agricultural leases.

d. CLTC approved a certain lease application in prior year (Lot 480-71, Agat) taken over by a beneficiary from an unqualified applicant.

Residential

a. A certain lease was transferred to a current listed lessee effective June 2019; however, the previous lessee held the lease for less than seven years as required by the CLTC Rules and Regulations. Furthermore, the lessee is affiliated with a current CLTC employee. A signed disclosure of affiliation by the employee did not evidence approval by the appropriate CLTC Officer.

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 the CLTC appropriately examine the lease register, perform timely updates of related information, and adequately file necessary supporting lease documents. Finally, we recommend that leases be processed in accordance with the CLTC Act and the CLTC Rules and Regulations. These matters were discussed in our previous letters to management in the audits for fiscal years 2015 through 2020.

(2) Special Fund Revenues

During the year ended September 30, 2021, revenue collections for the Chamorro Loan Guarantee Fund and the Chamorro Land Trust Survey and Infrastructure Fund of $161,436 and $20,803, respectively, were recorded; however, no cash transfers were made to the respective fund bank accounts resulting in an increase in the interfund receivable due from the GovGuam General Fund. We recommend management perform periodic monitoring of revenue collections and pursue timely deposits to the respective fund bank accounts. This matter was discussed in our previous letters to management in the audits for fiscal years 2019 and 2020.

(3) Leases Receivable

As of September 30, 2021, the CLTC recorded $1,535,865 of lease rental receivables, which included $895,877 in delinquent lease rental payments. Accordingly, an audit adjustment was proposed to recognize a corresponding allowance for uncollectible accounts relating to these delinquent tenants. We recommend the CLTC timely follow up with tenants regarding delinquent lease rental payments. This matter was discussed in our previous letter to management in the audit for fiscal year 2020.

(4) Bank Accounts

Two CLTC bank accounts are currently held in other entity names. We recommend that CLTC management require the bank accounts be appropriately held in the name of the CLTC. This matter was discussed in our previous letter to management in the audit for fiscal year 2020.

SECTION II - OTHER MATTERS

Our observations concerning other matters related to operations and best practices involving internal control over financial reporting that we wish to bring to your attention at this time:

(1) Lease Revenues

Public Law No. 34-142 authorized the CLTC to enter into a lease renewal for Yigo Lot 7161-R1 for a period of up to fifty (50) years, to give the current tenant the right of first refusal, and to submit the negotiated lease renewal to the Guam Legislature for approval. No lease renewal has been executed and the lease continues month-to-month as approved by the CLTC Board of Commissioners. Furthermore, Public Law 34-142 requires lease revenue collections to be deposited to the Chamorro Land Trust Survey and Infrastructure Fund. During the year ended September 30, 2021, the CLTC recorded lease revenue collections of $48,000 in the Chamorro Land Trust Operations Fund. We recommend the CLTC comply with Public Law 34-142. This matter was discussed in our previous letter to management in the audit for fiscal year 2020.

(2) Office Lease

In 2019, the CLTC management awarded an office lease to a third party. However, terms and conditions stipulating the agreed specifications in the invitation for bid were not formalized into a contract agreement between the parties. We recommend management execute a lease contract formalizing the terms and conditions of the office lease. This matter was discussed in our previous letters to management in the audits for fiscal years 2019 and 2020.

SECTION III - 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.

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Chamorro Land Trust Commission – FY 2021 Financial Highlights

April 11, 2022

Hagåtña, Guam – The Office of Public Accountability released the Chamorro Land Trust Commission's (CLTC) financial statements, report on compliance and internal controls, management letter, and the auditor's communication with those charged with governance for fiscal year (FY) 2021. Independent auditors Deloitte and Touche LLP issued an unmodified (clean) opinion on the CLTC's FY 2021 financial statements.

18% Reduction in Revenues Result in $22K Decrease in Fund Balance

In FY 2021, CLTC revenues totaled $976 thousand (K), a $213K (or 18%) reduction from FY 2020. The CLTC saw a $135K decrease in revenues from commercial lease rentals due to increased delinquency in collections from tenants. Royalty revenues faced a $35K decrease as a result of a cease and desist order on quarrying activities issued by the CLTC. Proceeds from the sale of land fell to $0 as no land sales occurred in FY 2021.

Total expenditures decreased by $27K (or 3%), going from $1.03 million (M) in FY 2020 to $998K in FY 2021. This is mainly due to the decrease in the CLTC's operational costs, such as a $66K decrease in salaries and wages (inclusive of fringe benefits), a $2K decrease in supply costs, and a $12K decrease in miscellaneous expenses. This offset increases in health benefits ($26K), contractual services ($22K), capital outlays ($5K), and communication expenses ($27).

As a result, the CLTC closed FY 2021 with a fund balance of $3.2M, a $22K decrease in fund balance (net loss) compared to the $164K increase (net income) in FY 2020.

Land Inventory

CLTC's land inventory for FY 2021 totaled the same as the previous year at 11,666.88 acres, of which 3,274.98 acres are unregistered property. The law prohibits any leasing and use of unregistered property until a title of ownership is established through judicial land registration. In FY 2021, six new leases were executed with a combined total acreage of 3,046.49. The CLTC's issuance total at the end of the fiscal year was 2,907 leases.

The Home Loan Guarantee Program guarantees loans issued by government agencies or lending institutions to Chamorro borrowers holding lease on Chamorro Homelands. In FY 2021, the CLTC issued one home loan guarantee that brought the program's contingent liability to $10.4M. The program is supported by Payment in Lieu of Taxes (or PILOT) revenue, which is real property taxes collected from CLTC constituents with the assistance of the Department of Revenue and Taxation.

The CLTC commercial leasing program is guided by Public Law (P.L.) 33-95, also known as the CHamoru Land Trust Commercial Rules and Regulations (CLTC R&R). During FY 2021, the

Doc. No. 36GL-22-1886.*

CLTC did not issue any new commercial licenses/leases but extended one commercial license for one year, and another for 21 years as authorized in the license.

Report on Internal Control and Compliance and Management Letter
In FY 2021, independent auditors did not identify any significant deficiencies; however, they reported a repeated material weakness from FY 2020 in their report on internal control over financial reporting. Specifically:

- The CLTC recorded coral extraction royalties of $195K from a construction company for mining activities on CLTC property.
- The revenues had no record of an underlying agreement between the CLTC and/or the lessee and the construction company regarding the rates to be collected and billed.
- A memo was communicated to the lessee indicating a rate of $0.75 per cubic yard approved by the Board of Commissioners. However, the CLTC billed $1.00 per cubic yard as reported by the construction company.
- There was no documentation of the rate increase. There was also no verification of the actual coral materials extracted and reported by the construction company.

The independent auditors recommend that the CLTC establish policies and procedures to require documentation in regards to verification of actual coral materials extracted, underlying agreements between parties such as the terms and conditions, and the rate per cubic yard extracted.

A separate management letter cited multiple internal control deficiencies in relation to leases, special fund revenues, leases receivable, bank accounts, and their office lease. These deficiencies have been repeatedly discussed in previous management letters. Many of the leases lacked updated formal lease agreements. Some lessees had licenses issued without legislative approval, and another had transferred a lease without holding the land for seven years as required by the CLTC R&R. One lease application taken over by a beneficiary from an unqualified applicant was approved, and a signed disclosure of affiliation between an employee from the CLTC and a lessee did not evidence approval by an appropriate CLTC officer. Special Fund revenue collections were recorded but not transferred to their respective bank accounts, and the CLTC lacked a formalized contract for their office lease. Additional concerns highlight recognizing allowance for uncollectible accounts relating to delinquent tenants, CLTC bank accounts being held under other entity names, and compliance with P.L. 34-142 for lease revenue collections to be deposited into the Chamorro Land Trust Survey and Infrastructure Fund.

Challenges and Outlook
A continued challenge of the CLTC is its ability to conduct surveys and utility installations to leased properties due to lack of funding sources, in addition to obtaining timely remittance of CLTC revenues. As of fiscal year-end, the CLTC reported that $334K is due from GovGuam. The CLTC Board of Commissioners and Administrative Director will work with the Administration to pursue and obtain federal grant assistance, and move in the direction of commencing the lease award process of residential and agriculture programs.

For more details, see Management's Discussion and Analysis in the audit report. These reports may be downloaded at www.opaguam.org.