



Chamorro Land Trust Commission FY 2015 Financial Highlights

May 23, 2016

The Chamorro Land Trust Commission (CLTC) closed Fiscal Year (FY) 2015 with a \$383 thousand (K) increase in fund balances, an \$87K increase compared to FY 2014. Total revenues were at \$1.0 million (M) and total expenditures were at \$666K. Independent auditors, Deloitte and Touche, LLP, issued an unmodified (clean) opinion on CLTC's FY 2015 financial statements.

Increased Revenues and Expenses

In FY 2015, CLTC had a net increase in total revenues by \$172K primarily due to the \$292K increase in Commercial Lease rentals, offset by decreases in Royalties by \$97K and in Payment in Lieu of Taxes (PILOT) revenue by \$19K. The increase in Commercial Lease rental was attributed to a new lease agreement with GTA Teleguam. Decrease in Royalties was attributed to lower excavation activity, while decrease in PILOT revenue was attributed to decrease in real property tax collection.

Total expenditure also increased by \$86K or 15%, going from \$580K in FY 2014 to \$666K in FY 2015, mainly from Building Rent and Contractual Services. The increased monthly building rent of \$10K was effective July 2014. The rent is being paid to the Department of Land Management and was fully recognized for 12 months in FY 2015, compared to only three months in FY 2014, resulting in \$57K increase in this account. Contractual Services increased by \$21K due to increased publication, property tax on building rent, and attorney's fees.

Decreased Cash and Cash Equivalents

Cash and cash equivalents dropped significantly to \$426K as of FY 2015, a \$1.6M or 79% decrease from \$2.0M as of FY 2014. This was mainly the net effect of cash transfers to (Government of Guam) GovGuam's General Fund in FY 2015.

Land Inventory

As of FY 2015, CLTC has leased out a total of 2,846 acres in its residential and agricultural programs, and 686 acres in its commercial programs. There were 100 new residential and agricultural leases, and one new commercial lease granted in FY 2015. Not all properties leased through the residential and agricultural programs were readily available with basic infrastructure and property surveys. Unregistered land accounts for 3,545 acres of CLTC's 11,062 acres of land inventory as of FY 2015. These unregistered properties are at risk of loss from surrounding claimants; and therefore, it is important that CLTC work on getting these acreages registered properly.

Increased Land Valuation

The total investment in land and other real estate at the government-wide level was valued at \$423.8M as of FY 2015, an increase of \$4.4M from \$419.4M as of FY 2014. CLTC holds \$417M of the \$423.8M, with the remaining \$6.8M being held by Guam Ancestral Lands Commission.

Commercial Lease Program

For years, CLTC's commercial license program had been operating without rules and regulations. In FY 2015, CLTC completed the Rules and Regulations however they were disapproved by the Guam Legislature. In

November 2015, Public Law (P.L.) 33-95 facilitated leasing of commercial properties to begin generating revenues for surveys and registration, and to provide infrastructure to residential and agricultural land tracts.

Home Loan Guarantee Program and PILOT Revenue

The Home Loan Guarantee Program guarantees loans issued by government agencies or lending institutions to Chamorro borrowers holding leases on Chamorro Homelands. The program is supported by the PILOT revenue which is the real property taxes collected from CLTC constituents with the assistance of Department of Revenue and Taxation (DRT). In FY 2015, CLTC collaborated with lending institutions and constituents to avoid defaults and foreclosures from occurring. As a result of these initiatives, CLTC's liability decreased from \$10.2M as of FY 2014 to \$8.8M as of FY 2015. CLTC does not foresee any potential defaults or foreclosures from happening.

CLTC and DRT continue to experience anomalies in the identification and evaluation of CLTC properties to assess real property taxes as a result of services provided by private vendors. To address this concern, CLTC and DRT created a Memorandum of Agreement (MOA) for collaborative sharing of land and tax information so CLTC may independently determine property taxes collected on its properties. The MOA is anticipated to be finalized in FY 2016.

Report on Compliance Report and Internal Control and Management Letter

In FY 2015, CLTC accomplished to implement a financial accounting system that gives the ability to account for its financial activities and prepare financial statements. The lack of formal accounting system was one of the material weaknesses reported to CLTC from FY 2011.

The independent auditors identified three material weaknesses and one noncompliance in its Report on Compliance and Internal Controls in FY 2015. The repeat findings on material weaknesses pertained to CLTC lacking the following: (1) adequate internal control policies for collection and monitoring of accounts receivables, (2) adequate internal control policies requiring monitoring and documentation of coral extraction royalties, and (3) a negotiated lease agreement for the CLTC occupied office space. The noncompliance finding refers to the lack of timely reimbursement of the \$2.4M gross cash transfers to GovGuam's General Fund which P.L. 32-181 requires to be reimbursed within 60 days.

A separate letter was issued to management citing three control deficiencies involving the following: (1) a loan guarantee that did not agree with the mortgage balance per bank statement; (2) certain PILOT revenues with unavailable evidence of collections, as well as improper revenue recognition; and (3) certain residential and agricultural lease agreements with inconsistent information, overstated land area, overstated property valuation, or lease agreement was not made unavailable.

Summary of Uncorrected Misstatements

There were three uncorrected misstatements identified in FY 2015 that would have decreased CLTC's revenue by \$5K. Management believes that the effects of the uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

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