



Chamorro Land Trust Commission FY 2016 Financial Highlights

May 12, 2017

The Chamorro Land Trust Commission (CLTC) closed fiscal year (FY) 2016 with a \$221 thousand (K) increase in fund balances, a \$162K decrease compared to FY 2015. Total revenues were \$1.2 million (M) and total expenditures were \$940K. Independent auditors, Deloitte and Touche, LLP, issued an unmodified “clean” opinion on CLTC’s FY 2016 financial statements and reported one material weakness.

Lawsuit and Claims

In January 2017, the Government of Guam (GovGuam) was informed that the U.S. Department of Justice authorized the filing of complaint in federal district court against GovGuam, CLTC, and its Administrative Director with respect to the rental of a dwelling that indicates a preference, limitation or discrimination based on race or national origin in violation of the Fair Housing Act, 42 U.S.C. §§ 3604 (a), (b), and (c). GovGuam maintains its position that the CLTC Act of 1975 is legal and constitutional and will have no material adverse effects on CLTC’s financial statements. Therefore, no provision has been recorded in the FY 2016 financial statements.

Increased Revenues and Expenditures

In FY 2016, CLTC’s total revenues increased by \$111K primarily due to increases in real property tax collection and payments received from the Land for the Landless program. In December 2015, CLTC commenced collection of outstanding receivables from the Land for the Landless program pursuant to Public Law (P.L.) 33-104. The law requires that funds collected shall be deposited into the Chamorro Land Trust Survey and Infrastructure Fund. Payment in Lieu of Real Property Taxes (PILOT) revenue also increased by 55%, from \$59K to \$92K in FY 2016.

These revenue increases, however, were offset by decreases of \$60K in Commercial, Agricultural, and Residential Lease rentals from \$831K to \$771K. The decrease in Commercial rentals was primarily the result of past due commercial lease payments. Additionally, Royalties decreased by \$70K from \$154K in FY 2015 to \$83K in FY 2016 due to a decrease in excavation activities.

While total revenues increased, total expenditures also increased by \$273K or 41%, going from \$666K in FY 2015 to \$940K in FY 2016. This is mainly due to increases in personnel costs (salaries, wages, and benefits). With the addition of three new employees, personnel costs totaled \$582K, an increase of \$191K or 49% from \$391K in FY 2015. The second highest increase in expenditures was contractual services of \$28K, from \$140K to \$168K. This was followed by the increase in capital outlays of \$28K, resulting from P.L. 33-175 which mandated the installation of power poles, wirings, and installation services for Santa Ana in Agat.

Increased Cash and Cash Equivalents

Cash and cash equivalents increased significantly to \$1.7M as of FY 2016, a \$1.3M or 303% increase from \$426K as of FY 2015. This was mainly the net effect of cash transfers from GovGuam’s General Fund in FY 2016.

Land Inventory

CLTC has a land value of 11,062 acres of land available for leases. As of FY 2016, CLTC leased out a total of 2,902 acres in its residential and agricultural programs, and 691 acres in its commercial programs. In addition, a total of 11,394 applicants have qualified for its residential and agricultural programs. There were 62 new residential and agricultural leases, and one new commercial lease granted in FY 2016. 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 2016. 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.

The total investment in land and other real estate at the government-wide level was valued at \$436.1M as of FY 2016, an increase of \$12.3M from \$423.8M in FY 2015. CLTC holds \$427.8M of the \$436.1M, with the remaining \$8.3M being held by Guam Ancestral Lands Commission.

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. In FY 2016, CLTC guaranteed six loans for a total of \$8.8M in loan guarantees as of September 30, 2016. The program is supported by PILOT revenue which is real property taxes collected from CLTC constituents with the assistance of Department of Revenue and Taxation (DRT). In FY 2016, PILOT revenues increased by \$32K, from \$59K to \$92K.

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 was finalized and approved in May 2016. The MOA has been beneficial to CLTC by the evident increase in real property tax collection in FY 2016.

Report on Compliance Report and Internal Control and Management Letter

The independent auditors identified one material weakness in its Report on Compliance and Internal Controls in FY 2016. This finding pertained to CLTC lacking a negotiated lease agreement for the CLTC occupied office space, which was a repeat finding.

A separate letter was issued to management citing three control deficiencies – (1) revenues unsupported by events admission report, (2) lease agreements without appraisal reports, and (3) payments in lieu of real property taxes was unsupported by an invoice.

Summary of Uncorrected Misstatements

There was one uncorrected misstatement identified in FY 2016 that would have decreased fund balance by \$5K. CLTC recorded three audit adjustments that increased fund balance by \$6K.

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