



Guam Ancestral Lands Commission FY 2012 Financial Highlights

August 15, 2014

The Guam Ancestral Lands Commission (GALC) closed Fiscal Year (FY) 2012 with an increase in fund balance (net income) of \$733 thousand (K), compared to a \$593K increase in FY 2011. The increase was primarily due to increased revenues totaling \$229K derived from lease rental payments. The FY 2012 is the first financial audit completed for the GALC. However, the Office of Public Accountability (OPA) issued Audit Report No. 06-16 in December 2006, where the establishment of rules and regulations for the fair and equitable use of Land Bank properties was a primary recommendation.

GALC received an unmodified (clean) opinion from independent auditors Deloitte and Touche, LLP. In order to receive the clean opinion, seven and six audit adjustments were made in 2011 and 2012 that cumulatively increased GALC's fund balance by \$593K in 2011 and \$733K in 2012. The auditors identified two material weaknesses in its Reports on Compliance and Internal Control which pertained to the lack of accounting system and lack of accounts receivable follow-up and collection. These material weaknesses have been previously identified in the prior OPA performance audit.

Land Bank Rules and Regulations Still Not Established

Since its creation, GALC has faced many challenges to include the establishment of the Land Bank Rules and Regulations, access and zoning of properties returned, and funding. Without the Land Bank Rules and Regulations, GALC has yet to start the just compensation to families who will not benefit from returned ancestral property. There is over \$2 million (M) awaiting distribution upon the effectuation or approval of the regulations. Subsequent to FY 2012, draft Land Bank Rules and Regulations have been prepared but cannot be implemented due to conflicting laws and pending cases at the Superior and Supreme Court.

For some of those beneficiaries who are fortunate to receive their ancestral properties, there is no access and zoning, which prevents them from making improvements on the properties. Such challenges are attributed to the lack of funding.

Land Endowment Recordation of \$6.7M

With the completion of the land inventory, \$406.6M in investment in land and other real estate was recorded at the government-wide level, of which \$6.7M was for GALC commercial leases. Approximately \$400M was attributed to Chamorro Land Trust Commission (CLTC), which has over 11,700 acres of property in its inventory to lease out. As of September 30, 2012, GALC had six commercial leases. GALC should coordinate with the Department of Revenue and Taxation regarding real property tax assessments for these leased properties.

MOU with GEDA

In 2010, GALC entered into a Memorandum of Understanding (MOU) with the Guam Economic Development Authority (GEDA) to assist with the development, management, and maintenance of the Trust Lands. Although the MOU is in place, there is a lack of monitoring of GALC's handling of leases. GALC's board and management should engage in regular dialogue with GEDA to ensure they are performing under the MOU. GEDA receives 14.3% of ground lease and 20% of participation rent income for their services. As of FY 2012, GEDA was paid \$260K.

GALC Merged with Department of Land Management

In September 2011, Governor Eddie Baza Calvo issued Reorganization Advisory Nos. 5 and 9 which merged the GALC and Chamorro Land Trust Commission into the Department of Land Management (DLM). The reorganization was to consolidate resources, eliminate redundancies, and provide better and faster services. In FY 2012, GALC returned 16 lots compared to three lots in FY 2011.

Presently, GALC has one full-time Administrative Officer who handles all the accounting and maintenance of the land inventory, and financial reporting. Management has not identified any other employee who is trained to serve as an alternate and to monitor and oversee these responsibilities. It is important that resources be made available to support the continuity of GALC operations and ensure integrity of the land inventory database.

Increase in Fund Balance due to Increase in Base Rent Revenues

GALC's financial statement include all of the activities of the Ancestral Lands Operations Fund, the Land Bank Trust Fund, and the Landowner's Recovery Fund. The Ancestral Lands Operations Fund was created to account for GALC's operational costs. The Land Bank Trust Fund was created to account for all assets and revenues of the Land Bank, consisting of former Spanish Crown Lands and other ancestral lands conveyed by the United States to GovGuam. GALC acts as a developer of the lands with resulting lease rental income to provide just compensation for those dispossessed landowners whose properties cannot be returned. The Landowner's Recovery Fund was created to account for the granting of loans, loan guarantees or grant-in-aid to landowners, or to defer costs for professional services required by those landowners who have ancestral claims. While the Ancestral Lands Operations Fund and the Landowner's Recovery Fund collectively recognized a decrease in fund balance of \$3K, the Land Bank Trust Fund had an increase in fund balance of \$736K.

As of September 30, 2012, GALC had \$1.1M in total revenues, or a \$229K increase, compared to \$916K in FY 2011. GALC's commercial leases brought in base rent revenues of \$941K, representing 82% of revenues. This is followed by General Fund appropriations at 16% or \$179K, and then by participation rent at 1% or \$15K.

Compliance Report

The two material weaknesses pertained to (1) GALC not maintaining adequate record keeping for its non-appropriated funds on a formal accounting system, with no formal reconciliation process for general account balances and (2) GALC had lease receivables that remained uncollected 90 days after year end. Auditors recommended GALC implement a formal accounting system and establish policies and procedures requiring the timely collection and monitoring of receivables.

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