



Guam Ancestral Lands Commission FY 2014 Financial Highlights

June 30, 2015

The Guam Ancestral Lands Commission (GALC) closed Fiscal Year (FY) 2014 with a net change in fund balance (net income) of \$549 thousand (K), compared to the \$597K in FY 2013. Revenues decreased by \$49K in FY 2014, while expenditures decreased by \$419.

GALC received an unmodified (clean) opinion from independent auditors Deloitte and Touche, LLP. In order to receive the clean opinion, ten audit adjustments were made that cumulatively increased GALC's fund balance by \$549K. The auditors identified two material weaknesses in its Reports on Compliance and Internal Control, which pertained to the lack of a formal accounting system and lack of accounts receivable collection and monitoring. These material weaknesses were also identified in prior years' audits.

Land Bank Rules and Regulations

GALC Board Members continued working on creating the Land Bank Rules and Regulations to determine the method of distribution of generated revenue and qualification standards. The attorney assigned to assist the commission in finalizing these rules and regulations, continued to provide legal guidance to ensure all legal aspects and equality is exercised. The GALC Board and Director envision that the rules and regulations will be in final form at the end of FY 2015.

Land Endowment Recordation of \$6.7M

In FY 2014, the total investment in land and other real estate of \$419.4M was recorded at the government-wide level, of which \$6.7M was for GALC commercial leases and the remaining \$412.7M was attributed to Chamorro Land Trust Commission (CLTC).

Revenues and Expenditures Decrease

As of September 30, 2014, GALC had \$740K in total revenues, or a \$49K decrease, compared to \$789K in FY 2013. Majority of the decrease was from Base rent revenues, which represents 78% of total revenues. Base rent decreased by \$75K, going from \$652K to \$577K.

Total expenses remained about the same in FY 2014, slightly decreasing by \$419. There were decreases in Management fee expense of \$13K, Salaries and Wages – regular of \$4K, Miscellaneous expenses of \$3K and Health Benefits of \$2K. These decreases were offset by the \$22K increase in Contractual services.

MOU with GEDA

In 2006, 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 GEDA's handling of leases. GALC's board and management should engage in regular dialogue with GEDA

to ensure they are performing under the MOU. In FY 2014, GEDA was paid \$84K in management fees for GALC leased/licensed property.

Compliance Report and Management Letter

The two material weaknesses pertained to (1) GALC not maintaining adequate record keeping and not formally reconciling general account balances for its non-appropriated funds on a formal accounting system such as Quickbooks and (2) GALC not timely collecting receivables. Auditors recommended GALC implement a formal accounting system and establish policies and procedures requiring the timely collection and monitoring of receivables. These findings were reported in prior audits.

A separate letter was issued to management citing one control deficiency related to security deposit, where GALC did not follow up on the remaining \$5K security deposit for one lease agreement.

Summary of Uncorrected Misstatements

There was one uncorrected misstatements identified in FY 2014 that would have increased GALC revenues by \$3K. Management agreed these misstatements will not be recorded as they were the result of an error; were immaterial; and not the result of fraud, irregularities, or illegal acts.

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