



## OFFICE OF PUBLIC ACCOUNTABILITY

Suite 401 DNA Building, 238 Archbishop Flores Street, Hagåtña, Guam 96910

Tel (671) 475-0390 · Fax (671) 472-7951 · Hotline: 47AUDIT (472-8348)

[www.opaguam.org](http://www.opaguam.org)

---

### 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

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](http://www.opaguam.org).