



## **OFFICE OF PUBLIC ACCOUNTABILITY**

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### **Chamorro Land Trust Commission – FY 2018 Financial Highlights**

May 22, 2019

Hagåtña, Guam – The Office of Public Accountability released the Chamorro Land Trust Commission (CLTC) financial statements, report on compliance and internal control, management letter, and the auditor’s communication with those charged with governance for fiscal year (FY) 2018. CLTC closed FY 2018 with a \$49 thousand (K) increase in fund balance (net income), compared to a net loss of \$428K in FY 2017. Independent auditors, Deloitte and Touche, LLP, issued an unmodified “clean” opinion on CLTC’s FY 2018 financial statements and reported one material weakness.

#### **Lawsuit and Claims**

In January 2017, the U.S. Department of Justice filed a complaint in the District Court of Guam against the government of Guam (GovGuam), CLTC, and its Administrative Director. The complaint alleged that CLTC denied dwelling to a person or persons because of race or national origin; discriminated in the terms, conditions, or privileges of sale or rental or dwelling, and/or in the provision of services or facilities in connection therewith because of race or national origin in violation of the Fair Housing Act 42 U.S.C. §§ 3604 (a), (b), (c) and § 3605 (a).

While the outcome of this communication cannot be predicted with certainty, GovGuam is of the opinion that the CLTC Act of 1975 is legal and constitutional and the ultimate disposition of such communication will not have material adverse effect on CLTC’s financial statements. Therefore, no related provision has been recorded in the accompanying financial statements for the potential impact, if any, of this matter.

#### **Decreased Revenues and Expenditures**

In FY 2018, CLTC total revenues were \$1 million (M), a net decrease of \$511K from the prior year, primarily due to the decrease in the proceeds from the sale of land (\$17K), land trust application fees (\$4K), collections from the Land for the Landless Program (\$24K), agricultural and residential lease payments (\$5K). The decrease was offset by a \$3K increase in commercial lease rentals, and a \$34K increase in payment in lieu of real property taxes (PILOT).

Total expenditures also decreased by the \$988K or 51%, going from \$2M in FY 2017 to \$964K in FY 2018. This is mainly due to a decrease in salaries plus benefits (\$642K), contractual services (\$148K), supplies (\$2K), and capital outlays (\$34K) and zero transfers out to General Fund.

#### **Increased Cash and Cash Equivalents**

Unrestricted cash and cash equivalents increased slightly to \$2.6M as of FY 2018, a \$546K or 26% increase from \$2.1M as of FY 2017. This was mainly the net effect of cash transfers from GovGuam’s General Fund in FY 2018.

## **Land Inventory**

CLTC has an updated land inventory of 11,668.38 acres available for lease. However, 28% or 3,274.98 acres are unregistered land accounts. CLTC is working on getting these acreages registered properly.

As of FY 2018, CLTC leased a total of 3,089.40 acres in its residential and agricultural programs and 607.24 acres in its commercial program. A total of 11,605 applicants have qualified for its residential and agricultural programs. There were 33 new residential and agricultural leases in FY 2018. Not all properties leased through the residential and agricultural programs were readily available with basic infrastructure and property surveys placing the financial burden on the lessees.

In November 2015, CLTC's Commercial Rules and Regulations was codified through the enactment of P.L. 33-95. CLTC is now allowed to designate and declare property for commercial use not to exceed 9% of unassigned land for residential and agricultural purposes.

## **Home Loan Guarantee Program and PILOT Revenue**

The Home Loan Guarantee Program guarantees loans issued by the government agencies or lending institutions to Chamorro borrowers holding lease on Chamorro Homelands. In FY 2018, guaranteed two loans that increased CLTC's loan guarantee program to \$10.4M as of September 30, 2018. However, there is no loan reserve contingency to prevent potential losses from loan defaults other than \$641K in restricted assets. 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.

## **Report on Compliance Report and Internal Control and Management Letter**

In FY 2018, the independent auditors identified one material weakness in its Report on Compliance and Internal Controls pertaining to the lack of a negotiated lease agreement for the CLTC occupied office space, which is a repeat finding.

A separate letter was issued to management citing two control deficiencies: (1) lease agreements without a formal signed agreement, in disagreement with actual lot and master plan map, and transfers without supporting documentation; (2) documentation of the allocation of legal counsel salaries among CLTC, Guam Ancestral Lands Commission, and Department of Land Management was not available.

## **Summary of Uncorrected Misstatements**

There were three uncorrected misstatements identified in FY 2018 that would have decreased CLTC's revenues by \$9.6K. Management believed that the effects of the uncorrected misstatements were immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

For a more detailed discussion on CLTC's operations, refer to the Management's Discussion and Analysis in the audit report at [www.opaguam.org](http://www.opaguam.org).