



## **Chamorro Land Trust Commission FY 2013 Financial Highlights**

January 4, 2015

The Chamorro Land Trust Commission (CLTC) closed Fiscal Year (FY) 2013 with an increase in fund balance (net income) of \$583 thousand (K), compared to a \$562K increase in FY 2012. The fund balance increase was primarily due to increased revenues of \$37K and decreased expenditures of \$48K.

CLTC received an unmodified (clean) opinion from its independent auditors. In order to receive the clean opinion, five audit adjustments were made in 2013 that cumulatively increased CLTC's net position by \$13K. The auditors identified five material weaknesses in its Report on Compliance and Internal Control, which pertained to the lack of a formal accounting system; lack of monitoring of leases, royalties, and loan guarantees; lack of accounts receivable follow-up and collection; and lack of a formal rental lease agreement. These material weaknesses were previously identified in prior OPA audits and the FY 2012 financial audit.

### **Land Inventory Database Integrity and Unregistered Lands at Risk**

As of FY 2013, CLTC has qualified a total of 11,050 applicants for its residential and agricultural programs. CLTC has leased out a combined total acreage of 2,739.15 through its residential and agricultural programs and 68 acres through its commercial programs. The land inventory database is currently maintained in Excel format. CLTC must look to move this database into a better software system that can provide the necessary controls to ensure the integrity of the data.

Not all properties leased through the residential and agricultural programs were readily available with basic infrastructure and property surveys. Unregistered land accounts for 3,545.23 acres of CLTC's 11,061.78 acres of land inventory. These unregistered properties are at risk of loss from surrounding claimants, and therefore it is important the CLTC work on getting these acreages registered properly.

### **Land Endowment Recordation Offsets GovGuam Deficit**

During FY 2013, 45 leases were issued which increased the land endowment value by \$4.5 million (M), from \$399.9M in FY 2012 to \$404.4M in FY 2013. The \$404.4M for CLTC leases coupled with the \$6.8M from the Guam Ancestral Lands Commission amounted to a total of \$411.1M in investment in land and other real estate recorded at the government-wide level. This \$411.1M in land endowment increased the Government of Guam (GovGuam)'s net position by the same amount. When combined with GovGuam's FY 2013 unrestricted deficit of \$834.7M and \$508.5M net investment in capital assets, the land endowment of \$411.1M brought GovGuam's total net position to a combined surplus of \$207.9M at the government-wide level.

### **Commercial Lease Program**

To address past issues surrounding the Commercial Program, CLTC has proposed Rules and Regulations for Commercial Use, which has been written with the assistance of the Guam Economic Development Authority. The rules and regulations are under review by the governor's office and will then be prepared for public review in accordance with the Administrative Adjudication Law. The adoption of these rules and regulations is significantly important because the commercial leases are intended to provide the financial support for CLTC to function and administer the trust lands. In addition, these rules will provide legitimacy and transparency of the process to award commercial leases. In the interim, CLTC commissioners have placed a moratorium on approving any commercial leases until the rules and regulations have been fully adopted.

### **Loan Guarantee Program**

CLTC is making a concerted effort to implement controls in the loan guarantee program. A total of 150 CLTC leaseholders were granted loan guarantees totaling \$13M. Of this amount, \$3M were for “conventional” home loans, while the remaining \$10M were for disaster relief loans following typhoons in 1998 and 2002. A policy has been drafted that will place restrictions and requirements for these loan guarantees. Controls include establishing maximum loan guarantee limits based on family size, and loan disbursement payments based on specific completion points.

### **Revenues Increase and Expenses Decrease**

In FY 2013, CLTC’s total revenues increased in by \$37K. All revenue sources increased with the exception of revenue from Royalties. Majority of the increase was from Commercial leases which increased by \$171K, going from \$552K in FY 2012 to \$722K in FY 2013. That increase was offset by the \$138K decrease in Royalties, which went from \$458K in FY 2012 to \$320K in FY 2013.

While revenues increased, total expenditures decreased by \$48K, going from \$520K in FY 2012 to \$472K in FY 2013. Significant decreases were from Salaries and Wages for regular and fringe benefits, which decreased by \$63K and \$44K, respectively. These were offset by the increases in Contractual Services and Building Rent. Contractual Services increased by \$59K, going from \$21K in FY 2012 to \$79K in FY 2013. Building Rent increased by \$28K, going from \$20K in FY 2012 to \$48K in FY 2013.

### **Compliance Report**

The independent auditors identified five material weaknesses in the Report on Compliance and Internal Controls which pertained to the following:

- Accounting System - CLTC did not maintain adequate records for its non-appropriated funds on a formal accounting system, and no formal reconciliation process is in place for general ledger account balances;
- Collection and Monitoring of Accounts Receivable - CLTC lacks adequate internal control policies over timely collection of receivables.
- Coral Extraction Royalties - CLTC did not have adequate internal control policies requiring monitoring and documentation of coral extraction royalties. Revenues collected were not supported by a contract agreement for established rates, nor did CLTC verify the amount of coral materials extracted;
- Loan Guarantees – Lack of adequate internal control policies requiring monitoring of loan guarantees; and
- Rental Lease Agreement – There is a lack of a negotiated lease agreement for the CLTC occupied office space which cost \$4K a month.

With the exception of the Rental Lease Agreement, these were repeat findings identified in the FY 2012 financial audit.

### **Summary of Uncorrected Misstatements**

There were two uncorrected misstatements identified in FY 2013 that would have decreased CLTC’s expenses 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 CLTC’s operations, see the Management’s Discussion and Analysis in the audit report at [www.guamopa.org](http://www.guamopa.org).