



Guam Ancestral Lands Commission FY 2013 Financial Highlights

January 7, 2015

The Guam Ancestral Lands Commission (GALC) closed Fiscal Year (FY) 2013 with a net change in fund balance of \$597 thousand (K), compared to the \$733K in FY 2012. While expenditures decreased in FY 2013 by \$221K, it was not enough to offset the \$356K decrease in revenues.

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 \$597K in 2013. 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 have been previously identified in the prior OPA performance audit and in the FY 2012 financial audit.

Land Bank Rules and Regulations

For the past several years, GALC Board Members have been working cohesively and diligently on creating the Land Bank Rules and Regulations to determine the method of distribution of generated revenue and qualification standards. Through the merger of GALC into the Department of Land Management, an attorney is now assigned to assist the commission in finalizing these rules and regulations, which are needed to begin the processing of just compensation to families who will not benefit from returned ancestral property.

Land Endowment Recordation of \$6.7M

In FY 2013, the land value for GALC remained the same at \$6.7 million (M), as they did not issue any new leases during the year. The total investment in land and other real estate of \$411.1M was recorded at the government-wide level, of which \$6.7M was for GALC commercial leases and the remaining \$404.4M was attributed to Chamorro Land Trust Commission (CLTC).

Revenues and Expenditures Decrease

As of September 30, 2013, GALC had \$789K in total revenues, or a \$356K decrease, compared to \$1.1M in FY 2012. All GALC's revenues decreased with the exception of revenue from participation rent. Majority of the decrease was from Base rent revenues and General Fund Appropriation, which represented 94% of total revenues. As a result of one lessee clearing its accounts receivables from previous fiscal years during FY 2012, Base rent decreased by \$288K, going from \$941K to \$652K.

All categories of expenses decreased, with most of the decreases coming from Miscellaneous expenses of \$88K, Salaries and Wages – regular of \$63K, and Management fee expenses of \$40K.

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 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. GEDA receives 14.3% of ground lease and 20% of participation rent for services rendered. In FY 2013, GEDA was paid \$98K as a management fee for GALC leased/licensed property.

Compliance Report

The two material weaknesses pertained to (1) GALC not maintaining adequate record keeping for its non-appropriated funds, lacking a formal accounting system such as Quickbooks, with no formal reconciliation process for general account balances and (2) GALC lacks timely collection of receivables. Auditors recommended GALC implement a formal accounting system and establish policies and procedures requiring the timely collection and monitoring of receivables.

Summary of Uncorrected Misstatements

There were three uncorrected misstatements identified in FY 2013 that would have decreased GALC expenses by \$7K. 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.guamopa.org