



## **Guam Ancestral Lands Commission FY 2015 Financial Highlights**

May 19, 2016

The Guam Ancestral Lands Commission (GALC) closed fiscal year (FY) 2015 with a \$458 thousand (K) net increase in fund balances, a \$91K decrease compared to FY 2014. Total revenues were \$643K and total expenditures were \$185K. Independent auditors, Deloitte and Touche, LLP, issued an unmodified (clean) opinion on GALC's FY 2015 financial statements.

### **Decreased Revenues and Expenditures**

In FY 2015, GALC had \$643K in total revenues, a \$97K or 13% decrease from FY 2014. The decrease was primarily due to \$82K or 14% decrease in base rent caused by funding issues with the leasees or delayed collection and/or remittance by the Guam Economic Development Authority (GEDA) to GALC. In addition, interest income also decreased by \$16K or 38% due to transfer of certain time certificates of deposit to a savings account.

Total expenditures decreased slightly by \$7K, going from \$192K in FY 2014 to \$185K. Expenditures mainly included personnel costs (\$86K), management fees (\$72K), and contractual services (\$24K). Although there was a noticeable \$13K or 15% decrease in GEDA management fees, the decrease was offset by a minor increase in personnel costs by \$6K.

### **Conveyance of Land Titles**

GALC, also known as the Land Claims Facilitator, was created through Public Law 25-45 to convey title of the federal excess lands to the original land owners once returned to the Government of Guam (GovGuam). GALC has returned a total of 2,594 acres as of FY 2015, an increase of 15 acres from FY 2014.

### **Increased Land Valuation**

The total investment in land and other real estate at government-wide level was valued at \$423.8 million (M) as of FY 2015, an increase of \$4.4M from \$419.4M in FY 2014. GALC holds \$6.8M of the \$423.8M, with the remaining \$417M being held by the Chamorro Land Trust Commission.

### **Land Bank Rules and Regulations**

GALC is mandated to establish the Land Bank Trust Fund to account for all assets and revenues of the Land Bank, which consists of the former Spanish Crown Lands and other non-ancestral lands conveyed by the United States Federal Government to GovGuam. The GALC acts as a developer of the lands with resulting lease rental income used to provide just compensation to dispossessed landowners whose properties cannot be returned.

As of FY 2015 the Land Bank Rules and Regulations (LBRR) is in its final form. The LBRR determines the distribution method of generated revenue and qualification standards. It is pending the Economic Impact Statement (EIS), which GEDA is preparing as part of the Administrative

Adjudication Law. The LBRR and EIS will be forwarded to the Office of the Attorney General for review, the Governor of Guam for approval, and finally to the Guam Legislature for codification.

### **Memorandum of Understanding with GEDA**

In 2006, GALC entered into a Memorandum of Understanding (MOU) with GEDA to assist with the development, management, and maintenance of the Land Bank. GEDA is required to remit all rents received from the leases of Trust Lands, but retains a certain percentage of rent collected as payment for GEDA's services. In FY 2015, GEDA's management fees decreased by \$13K or 15% due to lower rental collection. Although the MOU is in place, there is a lack of active monitoring of GEDA's handling of leases. Moreover, GEDA has not aggressively pursued accounts receivables from commercial lessees, resulting in a potential loss of income due to their uncollectible status. GALC is currently assessing the services being provided by GEDA to ensure they are performing under the MOU.

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

In FY 2014, two material weaknesses were reported on GALC's reports on compliance and internal control that pertained to (1) not maintaining adequate record keeping and not formally reconciling general account balances for its non-appropriated funds on a formal accounting system, and (2) not timely collecting receivables. In FY 2015, GALC accomplished to implement a financial accounting system that gives the ability to account for its financial activities and prepare financial statements. However, the untimely collection of and monitoring of receivables continues to be a material weakness since FY 2011. The auditors recommended GALC to establish policies and procedures requiring timely collection and monitoring of receivables.

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. This control deficiency is a repeat finding from FY 2014.

### **Summary of Uncorrected Misstatements**

There was one uncorrected misstatement identified in FY 2015 that would have decreased GALC's revenues by \$2K. Management believes the effect of the uncorrected misstatement is immaterial to the financial statements as a whole.

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