



Chamorro Land Trust Commission FY 2017 Financial Highlights (Revised)

May 2, 2018

The Chamorro Land Trust Commission (CLTC) closed fiscal year (FY) 2017 with a \$428 thousand (K) decrease in fund balance (net loss), compared to net income of \$221K in FY 2016. The FY 2017 net loss was primarily due to the \$641K permanent transfers to the General Fund. Independent auditors, Deloitte and Touche, LLP, issued an unmodified “clean” opinion on CLTC’s financial statements and reported one material weakness.

Lawsuit and Claims

In January 2017, the U.S. Department of Justice filed a complaint in the federal district court 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 dwellings; 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). The outcome of this lawsuit cannot be predicted with certainty, and therefore no provision has been recorded.

Increased Revenues and Expenditures

In FY 2017, CLTC’s total revenues were \$1.5 million (M), an increase of \$364K from the prior year, primarily due to the \$455K proceeds from sale of land, and the \$66K increase in lease rental revenues. The increases were offset by a \$79K decrease in collections under the Land for the Landless program, and an \$83K decrease in royalties.

In FY 2017, CLTC transferred certain land to the Guam Waterworks Authority (GWA) in accordance with Public Law (P.L.) 33-172 and 33-174 for consideration of \$455K. The law requires 5,686 square meters (1.4 acres) from the CLTC lands inventory to GWA for constructing a new detention basin for water storage tanks, and rezoning lot from commercial zone to public facility zone.

The \$66K increase in lease rentals were from Commercial, Agricultural, and Residential Lease rentals from \$771K in FY 2016 to \$837K in FY 2017. The increase was primarily due to CLTC’s active collection of account receivables. Payment in Lieu of Real Property Taxes (PILOT) revenue also increased by \$3K or 4%, from \$92K to \$95K in FY 2017.

The increase in total revenues was offset by the \$1M or 108% increase in total expenditures, going from \$940K in FY 2016 to \$2M in FY 2017. This is mainly due to combined transfers out to General Fund of \$641K from the Chamorro Loan Guarantee Fund, the Chamorro Land Trust Survey and Infrastructure Fund, and \$222K in capital outlays from the Chamorro Land Trust Operations Fund. The permanent transfer was based on a determination by CLTC management that the repayment of interfund receivables due from the General Fund were not expected to be made within a reasonable time.

Increased Cash and Cash Equivalents

Unrestricted cash and cash equivalents increased significantly to \$2.1M as of FY 2017, a \$350K or 20% increase from \$1.7M as of FY 2016. This was mainly the net effect of cash transfers from GovGuam's General Fund in FY 2017.

Land Inventory

CLTC has an updated land inventory of 11,622 acres available for lease. As of FY 2017, CLTC leased out a total of 3,066 acres in its residential and agricultural programs, and 691 acres in its commercial program. A total of 11,524 applicants have qualified for its residential and agricultural programs. There were 274 new residential and agricultural leases, and one new commercial lease granted in FY 2017. Not all properties leased through the residential and agricultural programs were readily available with basic infrastructure and property surveys. Unregistered land accounts for 3,344 acres or 29% of CLTC's 11,622 acres of land inventory as of FY 2017. CLTC is working on getting these acreages registered properly. 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 leases on Chamorro Homelands. In FY 2017, CLTC guaranteed three loans that increased CLTC's loan guarantee program to \$10.1M as of September 30, 2017. However, there is no loan reserve contingency to prevent potential losses from loan defaults other than \$514K 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 (DRT).

Report on Compliance Report and Internal Control and Management Letter

In FY 2017, 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 was a repeat finding.

A separate letter was issued to management citing four control deficiencies: (1) revenues unsupported by events admission report; (2) lease agreements without a formal signed agreement or appraisal reports; (3) residential lease application fee did not occur within required period; and (4) documentation of the allocation for legal counsel salaries among CLTC, Guam Ancestral Lands Commission, and Department of Land Management was not available.

Audit Adjustments and Uncorrected Misstatements

There were four audit adjustments recorded by CLTC that decreased fund balance by \$756K. Management believes 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, see the Management's Discussion and Analysis in the audit report at www.opaguam.org.