



Financial Highlights
CHamoru Land Trust Commission Financial Audit
Fiscal Year 2022

August 16, 2024

The CHamoru Land Trust Commission (CLTC) received an unmodified (clean) opinion in its Fiscal Year (FY) ended September 30, 2022, financial statements from Ernst & Young, LLP (EY). In CLTC's Report on Compliance for Internal Control over Financial Reporting, EY did not identify any deficiencies in internal control that were considered to be material weaknesses.

CLTC ended FY 2022 with a net position of \$3.2 million (M), a \$353 decrease compared with the prior year's net position of \$3.2M.

Revenues and Expenditures

In FY 2022, CLTC revenues totaled \$832 thousand (K), a 144K (15%) reduction from FY 2021's revenues of \$976K. The primary cause of this decline was the absence of royalty revenues received in FY 2022, which dropped \$195K. Additionally, collections from Land for the Landless decreased by \$4K. These declines were slightly offset by increases in lease rentals (\$24K), revenues from payment in lieu of taxes (\$2K), land trust application fees (\$600), and interest income (\$28K).

Total expenditures decreased by \$166K (17%), going from \$998K in FY 2021 to \$833K in FY 2022. This reduction was mainly due to the decrease in CLTC operational costs, which was a direct result of the CLTC not employing an Administrative Director for 2022. As a result, salaries and wages – regular, decreased by \$115K. Other significant reductions include contractual services with a \$44K decrease and a net decrease of \$68k for health and fringe benefits. These savings offset increases in capital outlays (\$43K) and miscellaneous costs (\$19K).

As a result, CLTC ended FY 2022 with a \$353 decrease in fund balance (net loss) resulting in a minimal change to the \$3.2M ending fund balance, slightly lower than the previous fiscal year.

Land Inventory

Currently, the CLTC administers about 33% of the Government of Guam's property, with their land inventory totaling 11.7K acres. The law prohibits any leasing and use for unregistered property until a title of ownership is established through judicial land registration. As of FY 2022, the CLTC has leased a combined total acreage of 3K for residential and agricultural programs, but operational challenges persist, including a moratorium on the adjudication of all leases deemed null and void by a 2018 legal opinion issued by the Office of the Attorney General. In addition, they were unable to approve or execute new commercial licenses or leases.

The Home Loan Guarantee Program guarantees loans issued by government agencies or lending institutions to Chamorro borrowers holding lease on Chamorro Homelands. In FY 2022, CLTC

did not issue any new loan guarantees, leaving the total for its current Chamorro homeland residential lessees at \$8.2M, while the program's contingent liability totaled \$10.5M. No guaranteed Home Loans were foreclosed due to nonpayment. However, the CLTC management stated it had guaranteed home loans beyond the Chamorro Loan Guarantee Fund's ability to provide reasonable security on the loans authorized.

Report on Internal Control and Compliance and Management Letter

In FY 2022, independent auditors did not identify any deficiencies in internal control that were considered to be material weaknesses. However, they did identify the following deficiencies related to internal control:

1. **Long Outstanding Commercial Lease Receivables:** As of September 30, 2022, 97% of the CLTC's \$1.3M in commercial lease receivables were delinquent. Although an allowance for uncollectible accounts was established, it was recommended that the CLTC implement internal controls to improve the collection of these receivables.
2. **Expired Commercial Lease Agreements:** The CLTC continued to bill and collect payments for ten different properties with expired commercial leases without formal extensions. It was recommended that the CLTC establish procedures to ensure that new lease agreements or extensions are executed for all expired leases.

Challenges, Accomplishments, and Outlook

The "Settlement Agreement between the United States of America and the Government of Guam," signed by the Governor of Guam and CLTC on May 29, 2020, underscores the CLTC program's role as a land restoration program that addresses the restoration of CHamoru homelands taken by the federal government between 1989 to 1968. This agreement expands the program's eligible beneficiaries to include individuals and their descendants who owned land or ranches, farmed, or otherwise occupied the land taken, which, in effect, has made any lease application not processed and approved before January 1, 2021, required to comply with the new eligibility requirements.

Other challenges include the installation of basic infrastructure and providing property surveys. Lessees bear the high costs to conduct surveys and install basic utilities within CLTC leased properties.

By year-end, the CLTC was awarded \$240K of TAP grant funding from the Office of Insular Affairs to upgrade and develop the CLTC Information Technology Infrastructure. The CLTC Board of Commissioners and the Administrative Director will continue to work with the Administration to secure federal grant assistance to cover the costs of installing basic infrastructure for leased properties. Additionally, they will focus on advancing the lease award process for the residential and agriculture programs.

For more details, refer to CLTC's FY 2022 financial statements, reports on internal control and compliance, Management Letter, and The Auditor's Communication With Those Charged With Governance at www.opaguam.org.