



OFFICE OF PUBLIC ACCOUNTABILITY

Suite 401 DNA Building, 238 Archbishop Flores Street, Hagåtña, Guam 96910

Tel (671) 475-0390 · Fax (671) 472-7951 · Hotline: 47AUDIT (472-8348)

www.opaguam.org

Chamorro Land Trust Commission – FY 2019 Financial Highlights

June 12, 2020

Hagåtña, Guam – The Office of Public Accountability released the Chamorro Land Trust Commission (CLTC) financial statements, report on compliance and internal controls, management letter, and the auditor’s communication with those charged with governance for fiscal year (FY) 2019. CLTC closed FY 2019 with a \$296 thousand (K) increase in fund balance (net income), compared to a \$49K increase in FY 2018. Independent auditors Deloitte and Touche, LLP, issued an unmodified (clean) opinion on CLTC’s FY 2019 financial statements.

COVID-19’s Impact on CLTC

In March 2020, the Governor of Guam issued Executive Order 2020-04, ordering the closure of all non-essential Government of Guam (GovGuam) offices and operations. CLTC complied and suspended its business operations to the public. CLTC management believes their revenues will remain steady due to fixed income in nature and that lessees will have adequate time within the next fiscal year to pay their rental dues. CLTC continues to invoice commercial leases and licensees and has not granted any rent abatement or rent deferrals.

Lawsuit and Claims

In January 2017, the U.S. Department of Justice (USDOJ) filed a complaint in federal district court against GovGuam, CLTC, and its Administrative Director. The complaint alleged that CLTC and the Administrative Director 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 dwelling, 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). In December 2019, the CLTC Board of Commissioners unanimously approved a settlement agreement with the USDOJ to settle and avoid going to trial.

Increased Revenues, Decreased Expenditures

In FY 2019, CLTC total revenues were \$1.2 million (M), an increase of \$227K from the prior year, primarily due to the increase in the proceeds from the sale of land (\$233K) and payment in lieu of taxes (\$19K). CLTC saw a minor decrease in revenues from commercial lease rentals (\$4K), agricultural and residential lease rentals (\$3K), and collections from Land for the Landless Program (\$17K).

Total expenditures decreased by the \$20K, going from \$964K in FY 2018 to \$944K in FY 2019. This is mainly due to a decrease in contractual services (\$97K) and capital outlay (\$34K).

Land Inventory

CLTC has an updated land inventory of 11,668.38 acres, of which 3,274.98 acres is unregistered property, which the law prohibits any leasing and use until a title of ownership is established through judicial land registration. As of FY 2019, CLTC leased 3,032.78 acres, which is a decrease of 56.62 acres compared to the 3089.40 acres leased as of FY 2018. The decrease was due to the

Office of the Attorney General issuing an opinion that voided 102 leases. As of FY 2019, the CLTC Board of Commissioners corrected and remedied six (6) of the null and voided leases. A total of 11,671 applicants have qualified for CLTC's residential and agricultural programs.

The CLTC Commercial leasing program is guided by Public Law 33-95, also known as the Chamorro Land Trust Commercial Rules and Regulations. As authorized by law, the CLTC can award commercial leases and licenses that do not exceed 9% of unassigned property in the CLTC's inventory. During 2019, CLTC did not award any new commercial leases and commercial leased property remained at 607.24 acres.

Home Loan Guarantee Program and PILOT Revenue

The Home Loan Guarantee Program guarantees loans issued by government agencies or lending institutions to Chamorro borrowers holding lease on Chamorro Homelands. In FY 2019, CLTC issued three home loan guarantees that brought the program's contingent liability to \$10.2M as of September 30, 2019. 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.

Report on Internal Control and Compliance and Management Letter

In FY 2019, the independent auditors did not identify any material weaknesses or significant deficiencies.

A separate letter was issued to management citing three control deficiencies pertaining to leases, special fund revenues and office lease. Specifically:

- Commercial leases did not have formal lease agreements, were expired, or did not have appraisals when renewed and extended, two agricultural lessees hold two separate leases in separate villages, and a residential lease was transferred without meeting the seven year requirement as per CLTC rules;
- Special revenue fund collections totaling \$404K were recorded, however, no cash transfers were made to the respective fund bank accounts; and
- CLTC's office lease did not explicitly disclose terms stipulating the commencement date.

Re-establishment as a Separate Agency

In January 2019, the Governor of Guam issued Executive Order 2019-01 re-establishing the CLTC as a separate agency from the Department of Land Management with its Administrative Director position. As of FY 2019, the Administrative Director was the lone position added when compared to FY 2018. Salaries and wages, correspondingly, increased by \$65K, going from \$471K in FY 2018 to \$536K in FY 2019.

For more details, see Management's Discussion and Analysis in the audit report. These reports maybe downloaded at www.opaguam.org.