

**GUAM ANCESTRAL LANDS COMMISSION**  
**(A GOVERNMENTAL FUND OF THE**  
**GOVERNMENT OF GUAM)**

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**FINANCIAL STATEMENTS,**  
**ADDITIONAL INFORMATION AND**  
**INDEPENDENT AUDITORS' REPORT**

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**YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

# GUAM ANCESTRAL LANDS COMMISSION

Years Ended September 30, 2021 and 2020  
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## **INDEPENDENT AUDITORS' REPORT**

Board of Commissioners  
Guam Ancestral Lands Commission

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Guam Ancestral Lands Commission (GALC), a governmental fund of the Government of Guam (GovGuam), which comprise the balance sheets as of September 30, 2021 and 2020, and the related statements of revenues, expenditures, and changes in fund balances for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the GALC as of September 30, 2021 and 2020, and the results of its operations for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

### *Reporting Entity*

As discussed in Note 1 to the financial statements, the financial statements referred to above present only the GALC and are not intended to present fairly the financial position and results of operations of the Government of Guam in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 6 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

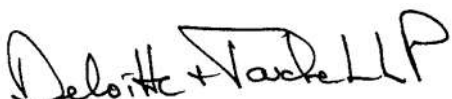
#### *Other Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Other Supplementary Information, as set forth in Section IV of the foregoing table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. The Other Supplementary Information is the responsibility of the GALC's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The additional information on pages 19 through 22 has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standard generally accepted in the United States of America. In our opinion, such information is fairly stated, in all material respects, in relation to the financial statements as a whole.

The additional information on page 23 has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2022, on our consideration of the GALC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the GALC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the GALC's internal control over financial reporting and compliance.



March 30, 2022

# GUAM ANCESTRAL LANDS COMMISSION

Management's Discussion and Analysis  
September 30, 2021 and 2020

## INTRODUCTION

The Guam Ancestral Lands Commission (GALC) is a governmental fund of the Government of Guam (GovGuam), currently located at 590 South Marine Corps Drive, Ste 733, ITC Building, Tamuning, Guam 96913.

The GALC was created by Public Law 25-45 to serve as the conduit for conveying returned federal excess lands to their original landowners. On October 6, 2011, the Governor of Guam issued Reorganization Advisory No. 5, which was later superseded by Advisory No. 9, whereby the GALC was merged into GovGuam's Department of Land Management (DLM) along with the Chamorro Land Trust Commission. On January 16, 2019, the Governor of Guam issued Executive Order 2019-01 re-establishing the GALC as a separate agency from DLM and the re-establishment of its Executive Director position.

The GALC's Management's Discussion and Analysis (MD&A) provides an overview of GALC's financial activities for the fiscal years ended September 30, 2021 and 2020. The information enclosed in the MD&A has been prepared by management and it should be read in conjunction with the financial statements and notes which follow this section.

### 1. Financial Highlights

- Total assets exceeded total liabilities and deferred inflows of resources by \$14,613,800 as of September 30, 2021 as compared to \$13,875,520 at the end of the prior year.
- Total assets on September 30, 2021 decreased by \$668,979 (or 4%) as compared to September 30, 2020.
- Total liabilities and deferred inflows of resources on September 30, 2021 decreased by \$1,407,259 (or 66%) as compared to September 30, 2020.
- Total fund balance on September 30, 2021 increased by \$738,280 (or 5%) as compared to September 30, 2020.
- Total revenues of \$1,301,856 for the year ended September 30, 2021 increased by \$402,372 (or 45%) as compared to \$899,484 for the prior year. Total expenditures of \$563,576 for the year ended September 30, 2021 increased by \$69,860 as compared to \$493,716 for the prior year. This resulted in an increase in the fund balance of \$738,280 for the year ended September 30, 2021 as compared to \$405,768 for the prior year.

### 2. Overview of the Financial Statements

The GALC's financial statements include all of the activities of the Ancestral Lands Operations Fund, the Land Bank Trust Fund, the Landowner's Recovery Fund, and the Survey, Infrastructure and Development Fund. The financial statements include a Balance Sheet as of September 30, 2021 and 2020 and a Statement of Revenues, Expenditures, and Changes in Fund Balance for the years then ended. Notes to the financial statements are additional information needed to provide further understanding of the basic financial statements.

### 3. Financial Statement Analysis

Management's Discussion and Analysis for the year ended September 30, 2020 is set forth in GALC's report on the audit of financial statements, which is dated March 29, 2021. That Management Discussion and Analysis explains the major factors impacting the 2020 financial statements and may be obtained from the information below.

## GUAM ANCESTRAL LANDS COMMISSION

### Management's Discussion and Analysis, Continued September 30, 2021 and 2020

#### 3. Financial Statement Analysis, Continued

##### GALC's Balance Sheets

The balance sheet discloses information on the GALC's assets, liabilities and deferred inflows of resources, and fund balance at year-end. The condensed summary of the GALC's balance sheets shown below as of September 30, 2021 as compared as of September 30, 2020 and 2019.

|  | 2021                 | 2020                 | Change              | Total<br>Percentage<br>Change<br>2021-2020 | 2019                 |
|--|----------------------|----------------------|---------------------|--|----------------------|
| <b>Assets:</b>   |                      |                      |                     |  |                      |
| Cash and cash equivalents  | \$ 6,701,366         | \$ 6,141,795         | \$ 559,571          | 9%   | \$ 378,552           |
| Time certificates of deposit   | 7,880,095            | 7,834,171            | 45,924              | 1%   | 8,830,449            |
| Receivables, net   | 757,414              | 1,938,684            | (1,181,270)         | (61)%                                      | 6,278,414            |
| Prepaid items  | -                    | 93,204               | (93,204)            | (100)%                                     | -                    |
| <b>Total assets</b>  | <b>\$ 15,338,875</b> | <b>\$ 16,007,854</b> | <b>\$ (668,979)</b> | <b>(4)%</b>                                | <b>\$ 15,487,415</b> |
| <b>Liabilities:</b>  |                      |                      |                     |  |                      |
| Accounts payable   | \$ 88,616            | \$ 82,541            | \$ 6,075            | 7%   | \$ 764,383           |
| Due to GovGuam General Fund  | 382,934              | 321,302              | 61,632              | 19%  | -                    |
| Security deposits payable  | 77,410               | 77,410               | -                   | 0%   | 75,310               |
| <b>Total liabilities</b>   | <b>548,960</b>       | <b>481,253</b>       | <b>67,707</b>       | <b>14%</b>                                 | <b>839,693</b>       |
| <b>Deferred inflows of resources:</b>                                    |                      |                      |                     |  |                      |
| Deferred revenues  | 176,115              | 1,651,081            | (1,474,966)         | (89)%                                      | 1,177,970            |
| <b>Total liabilities and deferred inflows of resources</b>               | <b>725,075</b>       | <b>2,132,334</b>     | <b>(1,407,259)</b>  | <b>(66)%</b>                               | <b>2,017,663</b>     |
| <b>Fund balance:</b>   |                      |                      |                     |  |                      |
| Committed  | 14,613,800           | 13,875,520           | 738,280             | 5%   | 13,469,752           |
| <b>Total liabilities, deferred inflows of resources and fund balance</b> | <b>\$ 15,338,875</b> | <b>\$ 16,007,854</b> | <b>\$ (668,979)</b> | <b>(4)%</b>                                | <b>\$ 15,487,415</b> |

Total assets decreased by \$668,979 (or 4%) in 2021 compared to 2020 primarily due to the decrease in receivables and prepaid items of \$1,181,270 and \$93,204, respectively, offset by an increase in deposits maintained in financial institutions of \$605,495. The decrease in receivables was the result of a decrease in net receivables due from tenants of \$1,292,340 as a result of the recognition of additional allowance for doubtful debts associated with tenant receivables offset by an increase in interest receivable on time certificates of deposit of \$111,070.

Total liabilities and deferred inflows of resources decreased by \$1,407,259 (or 66%) in 2021 compared to 2020 primarily due to the decrease in deferred revenues of \$1,474,966 offset by an increase in the payable to the GovGuam General Fund of \$61,632. The decrease in deferred revenues is primarily due to the corresponding increase in the allowance for doubtful debts associated with tenant receivables together with an increase in lease revenues that meet the "available" criterion for revenue recognition under the modified accrual basis of accounting. The increase in payable to GovGuam General Fund represents GALC expenditures paid by the General Fund not yet reimbursed as at year end.

Total fund balance increased by \$738,280 (or 5%) in 2021 compared to 2020 due to the difference between 2021 revenues earned and expenditures incurred compared to 2020.

## GUAM ANCESTRAL LANDS COMMISSION

### Management's Discussion and Analysis, Continued September 30, 2021 and 2020

#### 3. Financial Statement Analysis, Continued

##### GALC's Statements of Revenues, Expenditures and Changes in Fund Balances

The statement of revenues, expenditures and changes in fund balance discloses information on GALC's revenues and expenditures for the year. The condensed summary of GALC's revenues and expenditures shown below for the year ended September 30, 2021 as compared with the years ended September 30, 2020 and 2019.

|                              | 2021                 | 2020                 | Change            | Total<br>Percentage<br>Change<br>2021-2020 | 2019                 |
|------------------------------|----------------------|----------------------|-------------------|--|----------------------|
| <b>Revenues:</b>             |                      |                      |                   |  |                      |
| Lease rentals                | \$ 850,819           | \$ 749,524           | \$ 101,295        | 14%  | \$ 5,698,224         |
| GovGuam appropriation        | 41,887               | 73,975               | (32,088)          | (43)%                                      | 221,838              |
| Interest income and other    | 409,150              | 75,985               | 333,165           | 438%                                       | 85,102               |
| <b>Total revenues</b>        | <b>1,301,856</b>     | <b>899,484</b>       | <b>402,372</b>    | <b>45%</b>                                 | <b>6,005,164</b>     |
| <b>Expenditures:</b>         |                      |                      |                   |  |                      |
| Salaries, wages and benefits | 224,859              | 230,339              | (5,480)           | (2)%                                       | 158,566              |
| Contractual services         | 76,320               | 69,001               | 7,319             | 11%  | 48,944               |
| Management fees              | 102,223              | 98,370               | 3,853             | 4%   | 857,868              |
| Miscellaneous and other      | 160,174              | 96,006               | 64,168            | 67%  | 31,820               |
| <b>Total expenditures</b>    | <b>563,576</b>       | <b>493,716</b>       | <b>69,860</b>     | <b>14%</b>                                 | <b>1,097,198</b>     |
| Net change in fund balance   | 738,280              | 405,768              | 332,512           | 82%  | 4,907,966            |
| <b>Fund balance:</b>         |                      |                      |                   |  |                      |
| Beginning of year            | 13,875,520           | 13,469,752           | 405,768           | 3%   | 8,561,786            |
| Ending of year               | <b>\$ 14,613,800</b> | <b>\$ 13,875,520</b> | <b>\$ 738,280</b> | <b>5%</b>                                  | <b>\$ 13,469,752</b> |

Total revenues increased by \$402,372 (or 45%) from \$899,484 in 2020 to \$1,301,856 in 2021. The increase in revenues for 2021 was primarily due to the increase in interest income earned of \$333,165 on the GALC's time certificates of deposit and the increase in lease rentals revenue of \$101,295 that meet the "available" criterion for revenue recognition under the modified accrual basis of accounting.

Total expenditures increased by \$69,860 (or 14%) from \$493,716 in 2020 to \$495,503 in 2021. The increase in expenditures for 2021 was primarily due to roof repairs carried out on a tenant leased building.

#### 4. Challenges and Accomplishments

Public Law 25-45 created the GALC to perform the duties and responsibilities of the Guam Ancestral Lands Act. The GALC must ensure that ancestral landowners, their heirs, and descendants may obtain and act on all the fundamental civil rights in the property they own. Regrettably, some original landowners will not have their property returned. As a result, the GALC was authorized by law to create a fund known as the Land Bank. The purpose of this fund is to provide just compensation to original landowners whose ancestral lands have been returned by the Federal government and are retained by the Government of Guam for public use.

The GALC also maintains a fund known as the Landowner's Recovery Fund. The purpose of this fund is to aid landowners with loans and guarantee loans to provide immediate funds for fees related to professional services. Additionally, the GALC was authorized through the enactment of Public Law 34-108 to create the Survey, Infrastructure, and Development Fund (SIDF).

## **GUAM ANCESTRAL LANDS COMMISSION**

Management's Discussion and Analysis, Continued  
September 30, 2021 and 2020

### **4. Challenges and Accomplishments, Continued**

Expenditures of the SIDF are restricted to surveying and mapping, installation and purchase of infrastructure, clearing and paving of access roads, commercial development of GALC properties, and administrative, and operational financial support of these activities.

During the year ended, September 30, 2021, the GALC operated with a board of seven members supported by 1 classified, 2 unclassified employees. The GALC, through the Department of Labor, was assisted with 2 limited-term employees from the Department of Labor's unemployment program. Moreover, the GALC paid the Guam Economic Development Authority \$102,223 in management fees for services provided in FY2021.

In FY2021, the GALC did not return any property, and the GALC's aggregate amount of land returned remains at 2,643.12 acres. Also, the GALC did not finalize the Land Bank Rules and Regulations. Consequently, original landowners who will not benefit from the return of their lands were not compensated. Furthermore, due to a lack of funding source, the GALC's Landowner's Recovery Fund was not able to provide immediate financial assistance to original landowners. Last, but not least, easement issues were not resolved as of September 30, 2021.

### **5. Outlook**

The GALC Commissioners and Executive Director will continue dialogue with the Administration, and Guam Legislature to finalize the Land Bank Rules and Regulations. Furthermore, the GALC management will continue to work with the financial resources available to recruit much needed personnel.

### **6. Contacting the Guam Ancestral Lands Commission Financial Management**

This report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the GALC's finances and to show the GALC's accountability for the money it receives. Questions concerning any of the information provided in this report or request for additional information should contact John Burch, Executive Director at 649-5263 ext. 681 or email [john.burch@galc.guam.gov](mailto:john.burch@galc.guam.gov)



**GUAM ANCESTRAL LANDS COMMISSION**

Balance Sheets  
September 30, 2021 and 2020

|  | 2021          | 2020          |
|--|---------------|---------------|
| <u>ASSETS</u>  |               |               |
| Cash and cash equivalents  | \$ 6,701,366  | \$ 6,141,795  |
| Time certificates of deposit   | 7,880,095     | 7,834,171     |
| Receivables, net   | 757,414       | 1,938,684     |
| Prepaid items  | -             | 93,204        |
| Total assets   | \$ 15,338,875 | \$ 16,007,854 |
| <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES<br/>AND FUND BALANCE</u> |               |               |
| Liabilities:   |               |               |
| Accounts payable   | \$ 88,616     | \$ 82,541     |
| Due to GovGuam General Fund  | 382,934       | 321,302       |
| Security deposits payable  | 77,410        | 77,410        |
| Total liabilities  | 548,960       | 481,253       |
| Deferred inflows of resources:   |               |               |
| Deferred revenues  | 176,115       | 1,651,081     |
| Total liabilities and deferred inflows of resources                    | 725,075       | 2,132,334     |
| Commitments and contingency  |               |               |
| Fund balance:  |               |               |
| Committed  | 14,613,800    | 13,875,520    |
| Total liabilities, deferred inflows of resources<br>and fund balance   | \$ 15,338,875 | \$ 16,007,854 |

See accompanying notes to financial statements.

**GUAM ANCESTRAL LANDS COMMISSION**

Statements of Revenues, Expenditures, and Changes in Fund Balances  
Years Ended September 30, 2021 and 2020

|                                      | <u>2021</u>          | <u>2020</u>          |
|--------------------------------------|----------------------|----------------------|
| <b>Revenues:</b>                     |                      |                      |
| Lease rentals:                       |                      |                      |
| Base rent                            | \$ 850,507           | \$ 749,420           |
| Participation rent                   | 312                  | 104                  |
| GovGuam appropriation                | 41,887               | 73,975               |
| Interest income                      | 409,150              | 75,755               |
| Other                                | -                    | 230                  |
|                                      | <u>1,301,856</u>     | <u>899,484</u>       |
| <b>Expenditures:</b>                 |                      |                      |
| Salaries and wages - regular         | 156,855              | 171,209              |
| Management fees                      | 102,223              | 98,370               |
| Contractual services                 | 76,320               | 69,001               |
| Salaries and wages - fringe benefits | 43,236               | 42,670               |
| Building rent                        | 42,266               | 20,367               |
| Health benefits                      | 24,768               | 16,460               |
| Communications                       | 4,668                | 3,715                |
| Supplies                             | 3,814                | 2,180                |
| Capital outlay                       | -                    | 37,470               |
| Equipment                            | -                    | 27,676               |
| Miscellaneous                        | 109,426              | 4,598                |
|                                      | <u>563,576</u>       | <u>493,716</u>       |
| Net change in fund balances          | 738,280              | 405,768              |
| Fund balances at beginning of year   | <u>13,875,520</u>    | <u>13,469,752</u>    |
| Fund balances at end of year         | <u>\$ 14,613,800</u> | <u>\$ 13,875,520</u> |

See accompanying notes to financial statements.

## GUAM ANCESTRAL LANDS COMMISSION

Notes to Financial Statements  
September 30, 2021 and 2020

### (1) Organization

The Guam Ancestral Lands Commission (GALC), a governmental fund of the Government of Guam (GovGuam), was established by the Guam Ancestral Lands Act of 1999 (Public Law 25-45) for the purpose of investigating, recording, filing, and reporting claims for ancestral lands, and to respond to requests for remedy from claimants, including GovGuam, for lands taken by the United States or by GovGuam on or after January 1, 1930.

The accompanying financial statements relate solely to those accounting records maintained by the GALC, and do not incorporate any accounts related to other departments or agencies within GovGuam.

The GALC is governed by a seven-member Board of Commissioners who must be descendants or heirs of ancestral landowners or claimants and are appointed by the Governor of Guam.

In 2011, the Governor of Guam issued Reorganization Advisory No. 5, which was later superseded by Advisory No. 9, whereby the GALC was merged into the GovGuam Department of Land Management (DLM) along with the Chamorro Land Trust Commission. In 2019, the Governor of Guam issued Executive Order 2019-01 re-establishing the GALC as a separate agency from DLM and the re-establishment of its Executive Director position.

### (2) Summary of Significant Accounting Policies

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the GALC's accounting policies are described below:

#### Measurement Focus and Basis of Accounting

The GALC reports its financial position and the results of operations in governmental funds. A fund is a separate accounting entity with a self-balancing set of accounts. Funds are concerned only with the measurement of financial position and are not involved with measurement of results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds).

The special revenue funds currently reported by the GALC are as follows:

- The Ancestral Lands Operations Fund - this fund was created for the purpose of accounting for the payment of operational costs associated with the GALC.
- The Land Bank Trust Fund - this fund was created for the purpose of accounting for all assets and revenues of the Land Bank, which consists of 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 for those dispossessed landowners whose properties cannot be returned.
- The Landowner's Recovery Fund - this fund was created for the purpose of accounting of granting loans, loan guarantees or grant-in-aid to landowners, or to defer costs or fees for professional services required by those landowners or class of landowners who have ancestral land claims.

## GUAM ANCESTRAL LANDS COMMISSION

Notes to Financial Statements  
September 30, 2021 and 2020

### (2) Summary of Significant Accounting Policies, Continued

#### Measurement Focus and Basis of Accounting, Continued

- The Survey, Infrastructure and Development Fund - this fund was created for the purpose of accounting for the proceeds of lease revenues earned from all leases of Apra Harbor Reservation F-12 and Parcel N14-1 (the Polaris Point parcels) under the jurisdiction of the GALC. This fund shall be used for the surveying and mapping, purchase and installation of infrastructure, including paved access roads and commercial development, of the GALC properties, and for the administrative, operational, and financial support of these efforts.

#### Basis of Presentation

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included in the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the GALC considers revenues to be available if they are collected within 90 days of the end of the current fiscal period.

Significant revenues susceptible to accrual include base and participation rent income and General Fund appropriations. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred. Significant revenues susceptible to accrual include revenue received from residential, agricultural, and commercial leases.

#### Cash and Cash Equivalents and Time Certificates of Deposit

The GALC has the power and authority to invest and re-invest any of the money in any of its funds, not otherwise immediately needed, for the purposes of the funds in such bonds and securities authorized in 5 GCA Chapter 21, *Investments and Deposits*. Custodial credit risk is the risk that in the event of a bank failure, the GALC's deposits may not be returned to it. Such deposits are not covered by depository insurance and are either uncollateralized or collateralized with securities held by the pledging financial institution or held by the pledging financial institution but not in the depositor-government's name. The GALC does not have a deposit policy for custodial credit risk.

For the purposes of the balance sheets, cash and cash equivalents is defined as cash in checking and savings accounts with a maturity date within three months of the date acquired. Deposits maintained in time certificates of deposit with original maturity dates greater than three months are separated classified on the balance sheets. As of September 30, 2021 and 2020, the carrying amount and corresponding bank balances of the GALC's cash and cash equivalents and time certificates of deposit were \$14,581,461 and \$13,975,966, respectively. Bank balances are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance or credit unions subject to National Credit Union Administration (NCUA) insurance. As of September 30, 2021 and 2020, bank deposits in the amount of \$64,344 and \$64,331, respectively, were FDIC insured and bank deposits in the amount of \$500,000 were NCUA insured.

## GUAM ANCESTRAL LANDS COMMISSION

Notes to Financial Statements  
September 30, 2021 and 2020

### (2) Summary of Significant Accounting Policies, Continued

#### Cash and Cash Equivalents and Time Certificates of Deposit, Continued

In accordance with 5 GCA 21, *Investments and Deposits*, the GALC requires collateralization of deposits in excess of depository insurance limits in an amount in value at least ten percent in excess of the amount of money deposited with the financial institution. Such collateralization shall be in securities in U.S. treasury notes or bonds or in U.S. government agencies for which the faith and credit of the United States are pledged for the payment of principal and interest; evidence of indebtedness of GovGuam; investment certificates of the Federal Home Loan Bank; or such other securities as may be approved by the Director of Administration and the Governor of Guam. As of September 30, 2021 and 2020, substantially all of the GALC's bank deposits in excess of depository insurance limits are collateralized with securities held by the pledging financial institution but not in the GALC's name.

#### Receivables

Receivables are due from individuals and businesses residing on the island of Guam and are uncollateralized and non-interest bearing.

The allowance for doubtful accounts is stated at an amount which management believes will be adequate to absorb possible losses on accounts receivable that may become uncollectible based on evaluations of the collectability of these accounts and prior collection experience.

#### Prepaid Items

Certain payments made to vendors or persons for services reflect costs applicable to future accounting periods and are recorded as prepaid items in the governmental fund financial statements.

#### Interfund Receivables

During the course of the GALC's operations, the GovGuam General Fund records transactions between individual funds for goods provided or services rendered. These balances result from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made, and are scheduled to be collected in the subsequent year.

#### Deferred Inflows of Resources

In the governmental fund financial statements, deferred inflows of resources consist of unavailable base and participation rent revenues together with interest on time certificates of deposit, which is revenue that does not meet the "available" criterion for revenue recognition under the modified accrual basis of accounting.

#### Fund Balance

Governmental fund balances are classified as follows:

- Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and do not lapse at year-end.

## GUAM ANCESTRAL LANDS COMMISSION

Notes to Financial Statements  
September 30, 2021 and 2020

### (2) Summary of Significant Accounting Policies, Continued

#### Fund Balance, Continued

Restricted/committed amounts are spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this. In addition, committed, then assigned amounts of unrestricted fund balance are expended in that order.

A formal minimum fund balance policy has not been adopted.

#### Management Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### New Accounting Standards

During the year ended September 30, 2021, the GALC implemented the following pronouncements:

- GASB Statement No. 84, *Fiduciary Activities*, which improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.
- GASB Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and 61*, which improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units.
- GASB Statement No. 93, *Replacement of Interbank Offered Rates*, which establishes accounting and reporting requirements related to the replacement of Interbank Offered Rates such as the London Interbank Offered Rate (LIBOR) for hedging derivative instruments. The provision removing LIBOR as an appropriate benchmark interest rate for the evaluation of the effectiveness of derivative instruments is effective for the year ended September 30, 2022.

The implementation of these statements did not have a material effect on the accompanying financial statements.

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. Management believes that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 87 will be effective for fiscal year ending September 30, 2022.

## GUAM ANCESTRAL LANDS COMMISSION

Notes to Financial Statements  
September 30, 2021 and 2020

### (2) Summary of Significant Accounting Policies, Continued

#### New Accounting Standards, Continued

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 89 will be effective for fiscal year ending September 30, 2022.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 91 will be effective for fiscal year ending September 30, 2023.

In January 2020, GASB issued statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports, the terminology used to refer to derivative instruments and the applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefits. The requirements related to the effective date of GASB Statement No. 87 and Implementation Guide 2019-3, reissuance recoveries and terminology used to refer to derivative instruments are effective upon issuance. In accordance with GASB Statement No. 95, the remaining requirements of GASB Statement No. 92 is effective for the fiscal year ending September 30, 2022.

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. This statement also provides guidance for accounting and financial reporting for availability payment arrangements. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 94 will be effective for fiscal year ending September 30, 2023.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 96 will be effective for fiscal year ending September 30, 2023.

## GUAM ANCESTRAL LANDS COMMISSION

Notes to Financial Statements  
September 30, 2021 and 2020

### (2) Summary of Significant Accounting Policies, Continued

#### New Accounting Standards, Continued

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. GASB Statement No. 97 will be effective for fiscal year ending September 30, 2022.

In October 2021, GASB issued Statement No. 98, *The Annual Comprehensive Financial Report*. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 98 will be effective for fiscal year ending September 30, 2022.

### (3) Risk Management

The GALC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the GALC not to purchase commercial insurance for the risks of loss to which it is exposed. Instead, GALC management believes it is more economical to manage its risks internally. In the event of claim settlements and judgments, the GALC reports all of its risk management activities in the Ancestral Lands Operations Fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. No losses have occurred as a result of these policies in any of the past three fiscal years.

### (4) Receivables

Receivables as of September 30, 2021 and 2020, including the applicable allowance for uncollectible accounts, are as follows:

|   | <u>2021</u>        | <u>2020</u>         |
|---|--------------------|---------------------|
| Receivables:  |                    |                     |
| Lease rental  | \$ 2,368,242       | \$ 1,861,592        |
| Interest receivable                                 | 414,808            | 303,738             |
| Due from Guam Economic Development Authority (GEDA) | <u>77,410</u>      | <u>77,410</u>       |
|   | 2,860,460          | 2,242,740           |
| Less allowance for uncollectible accounts           | <u>(2,103,046)</u> | <u>(304,056)</u>    |
|   | <u>\$ 757,414</u>  | <u>\$ 1,938,684</u> |



## GUAM ANCESTRAL LANDS COMMISSION

Notes to Financial Statements  
September 30, 2021 and 2020

### (4) Receivables, Continued

As of September 30, 2021 and 2020, lease rental receivables include \$87,899 and \$37,499, respectively, due from the GovGuam Department of Public Health and Social Services and \$247,981 and \$200,009, respectively, due from the Guam Environmental Protection Agency with a corresponding allowance for uncollectible accounts of \$251,451 and \$237,508, respectively.

### (5) Security Deposits Payable

Certain lessees are required, upon execution of the lease to remit a security deposit to GEDA on behalf of the GALC. As of September 30, 2021 and 2020, security deposits in the amount of \$77,410 are maintained by GEDA on behalf of the GALC. A liability is recorded within the accompanying financial statements representing security deposits payable to lessees offset by a corresponding receivable due from GEDA.

### (6) Related Party Transactions

The GALC is a governmental fund of GovGuam and is therefore affiliated with all GovGuam-owned and affiliated entities, including all departments and agencies of GovGuam, including the Guam Economic Development Authority (GEDA), the Guam Environmental Protection Agency, the GovGuam Department of Land Management, and the GovGuam Department of Public Health and Social Services. During the years ended September 30, 2021 and 2020, the GALC recognized certain on-behalf payments as contributions from GovGuam, totaling \$41,887 and \$73,975, respectively, representing certain payroll and related expenditures that GovGuam paid directly on behalf of the GALC. These expenditures were funded through appropriations from the GovGuam General Fund.

During the years ended September 30, 2021 and 2020, GEDA withheld \$102,223 and \$98,370 respectively, of all rents received representing lease management services as discussed in Note 7 of the financial statements. As of September 30, 2021 and 2020, the GALC has recognized a liability of \$60,752 and \$82,541, respectively, for lease management services relating to rent receivables yet to be collected after the respective year ends.

During the years ended September 30, 2021 and 2020, certain legal costs of \$54,731 and \$43,001, respectively, were incurred by the GALC covering services from the GovGuam Office of the Attorney General.

Certain developed land supported by valid leases is held as investments in land and other real estate within a permanent fund of GovGuam. Such investment is recorded at fair value whereas other undeveloped land not supported by leases is reported at historical cost. As of September 30, 2021 and 2020, such land is valued at \$454,131,585 and \$453,106,926, respectively, of which \$8,662,592 is held by the GALC. Fair value is based on estimated current value (primarily assessed real estate property tax valuations) and appraisals. Investments that do not have an established market are reported at estimated fair value. Earnings from leases associated with these investments are reported as revenues of the GALC.

## GUAM ANCESTRAL LANDS COMMISSION

Notes to Financial Statements  
September 30, 2021 and 2020

### (7) Commitments

The GALC has ground lease agreements with seven lessees. The agreements provide the lessees with the use of former Spanish Crown Lands and other non-ancestral lands (collectively, the "Trust Lands") conveyed by the United States federal government to GovGuam. A summary of these lease agreements follows:

#### Apra Harbor Parcel No. 1 (Commissary Junction):

In 2008, the GALC entered into a fifty-year lease agreement with a tenant commencing May 1, 2008 for certain real property with an area of approximately 5.835 acres. In accordance with the lease agreement, rental income from the tenant shall consist of the following:

- a. Base rent of \$3,911 payable monthly in advance on the first business day of each month escalating each year at the rate of 1%; and
- b. Participation rent of 2.5% of the tenant's gross annual revenue, as defined in the lease agreement, received by the tenant from its operation at the premises. Payment shall be made by the tenant within 90 days after the end of each fiscal year.

The base rent shall be adjusted every ten years to the product of the then fair market rental value of the premises and an eight percent capitalization rate. Such fair market rental value shall be determined by an appraisal of the premises, exclusive of any improvements, which shall be performed at the tenant's sole cost and expense.

During the years ended September 30, 2021 and 2020, the GALC recognized lease base rental revenue of \$46,768 and \$46,599, respectively, associated with this lease.

#### Apra Harbor Reservation F-12 (Polaris Point):

In 2010, the GALC entered into a fifty-year lease agreement with a tenant commencing July 1, 2010 for certain real property with an area of approximately thirty (30) acres. In accordance with the lease agreement, rental income from the tenant shall consist of the following:

- a. Initial base rent of \$25,000 payable monthly in advance on the first business day of each month; and
- b. Participation rent of 2.6% of the tenant's gross monthly revenue, as defined in the lease agreement, received by the tenant each month from its operation at the premises. Payment for the previous month shall be made by the tenant on or before the 30<sup>th</sup> day of each calendar month.

The base rent shall be adjusted every ten years to the product of the then fair market rental value of the premises and an eight percent capitalization rate. Such fair market rental value shall be determined by an appraisal of the premises, exclusive of any improvements, which shall be performed at the tenant's sole cost and expense. Effective July 1, 2021, the base rent was adjusted to \$27,733 payable monthly in advance.

During the years ended September 30, 2021 and 2020, the GALC recognized lease base rental revenue of \$344,078 and \$300,000, respectively, and lease participation rental revenue of \$312 and \$104, respectively, associated with this lease agreement.

In 2014, the GALC entered into a one-year license agreement with a tenant commencing January 1, 2014, for certain real property with an area of approximately one-half (1/2) acre. In accordance with the license agreement, monthly base rent of \$500 is payable by the tenant. Effective June 1, 2017, the GALC renewed the license for one additional year with the same terms and conditions. During the years ended September 30, 2021 and 2020, the GALC recognized lease base rental revenue of \$3,900 and \$1,000, respectively, associated with this license.

## GUAM ANCESTRAL LANDS COMMISSION

Notes to Financial Statements  
September 30, 2021 and 2020

### (7) Commitments, Continued

Anderson Family Housing Annex No. 1 (Camp Edusa):

In 2013, the GALC entered into a fifty-year lease agreement with a tenant commencing January 1, 2014 for certain real property with an area of approximately 13.313 acres. In accordance with the lease, rental income from the tenant shall consist of the following:

- a. Initial base rent of \$27,197, adjusted to \$25,322, payable monthly in advance on the first business day of each month commencing January 1, 2015 upon completion of the development phase and escalating every five years at the rate of 10%; and
- b. Participation rent of 2.5% of the tenant's gross monthly revenue, as defined in the lease, received by the tenant each quarter from its operation at the premises. Payment shall be made by the tenant within 30 days after the end of each calendar quarter.

During the year ended September 30, 2020, the GALC recognized lease base rental revenue of \$50,949 and interest income from deferred payments of \$11,965. No lease base rental revenue or interest income from deferred payments were recognized during the year ended September 30, 2021.

Guam Environmental Protection Authority (GEPA):

In 2005, the GALC entered into a license renewable annually for a period not to exceed thirty (30) years to occupy and use a portion of Lot No. 2276 consisting of a building, a parking lot and common area with an area of approximately 8,000 square feet. In accordance with the license, monthly base rent of \$1.00 per square foot is payable by GEPA. Subsequent to the tenth year, the monthly base rent amount shall be adjusted to equal the fair market value but not less than \$1.00 per square foot. Such fair market value shall be determined by an appraisal of the property, which shall be performed at GEPA's sole cost and expense. During the year ended September 30, 2021, the GALC recognized lease base rental revenue of \$56,028 associated with this license. No lease base rental revenue was recognized during the year ended September 30, 2020.

GovGuam Department of Public Health and Social Services (DPHSS):

In 2004, the GALC entered into a license renewable annually for a period not to exceed ten (10) years to occupy and use a portion of Lot No. 2276 consisting of a building, a parking lot and common area with an area of approximately 8,000 square feet. In accordance with the license, monthly base rent of \$1.00 per square foot is payable by DPHSS. Subsequent to the initial year, the monthly base rent amount shall be adjusted to equal the fair market value but not less than \$1.00 per square foot. Such fair market value shall be determined by an appraisal of the property, which shall be performed at DPHSS sole cost and expense. Effective January 1, 2015, the GALC exercised the option to extend the license agreement for an additional period of ten (10) years upon the same terms and conditions with monthly base rent of \$1.05 per square foot. During the years ended September 30, 2021 and 2020, the GALC recognized lease base rental revenue of \$126,000 and \$75,600, respectively, associated with this agreement.

## GUAM ANCESTRAL LANDS COMMISSION

Notes to Financial Statements  
September 30, 2021 and 2020

### (7) Commitments, Continued

Tanguisson Cable Landing Station:

In 2019, the GALC entered into a five-year lease agreement with a tenant commencing October 1, 2019, for certain real property with an area of approximately 11,724 square meters to occupy and use a portion of Lot No. 10192, consisting of a building, a certain ocean ground bed, West cable entrance to shore edge, Lines T1 through T3 Cable easements, and common areas. In accordance with the license, monthly base rent of \$22,939 is payable monthly by the tenant during the initial term. The tenant has nine (9) successive options to renew the lease to extend the term for 5 years each. Subsequent to the initial term, the monthly base rent is escalating every five years at the rate of 10% over the previous 5-year period rent, except that for every 20 years, rent shall be adjusted to the fair market rental value of the premises using the 10% capitalization rate. Such fair market value shall be determined by an appraisal of the property, which shall be performed at the GALC and the tenant's split cost. During the years ended September 30, 2021 and 2020, the GALC recognized lease base rental revenue of \$275,273 and \$275,272, respectively, associated with this agreement.

The future minimum lease receipts under the remainder of these leases are as follows:

| <u>Year Ending</u><br><u>September 30,</u> |                      |
|--|----------------------|
| 2022                                       | \$ 2,142,139         |
| 2023                                       | 1,147,097            |
| 2024                                       | 1,147,528            |
| 2025                                       | 797,090              |
| 2026                                       | 797,399              |
| 2027 - 2031                                | 4,054,752            |
| 2032 - 2036                                | 4,165,381            |
| 2037 - 2041                                | 3,998,910            |
| 2042 - 2046                                | 4,237,590            |
| 2047 - 2051                                | 4,499,506            |
| 2052 - 2056                                | 4,786,950            |
| 2057 - 2061                                | 4,517,832            |
| 2062 - 2064                                | <u>1,612,133</u>     |
|  | <u>\$ 37,904,307</u> |

In 2006, the GALC entered into a memorandum of agreement with GEDA to assist with the development, management, and maintenance of Trust Lands for the purpose of maximizing benefit to dispossessed landowners and be responsible for the collection and remittance of security deposits and lease rental payments to the GALC. GEDA shall remit all rents received from the lease of Trust Lands but shall retain 14.3% of the base rent and 20% of the participation rent paid by all developers and/or lessees of the Trust Lands as payment for lease management services. Base rent collected from developers and/or lessees shall be remitted to the GALC no later than twenty (20) calendar days after receipt from the developers and/or lessees. Participation rent collected from developers and/or lessees shall be remitted to the GALC no later than ninety (90) calendar days after receipt from the developers and/or lessees. During the years ended September 30, 2021 and 2020, GEDA withheld \$121,905 and \$98,370, respectively, of all rents received as payment for lease management services. As of September 30, 2021 and 2020, the GALC has recognized a liability of \$80,434 and \$82,541, respectively, for lease management services relating to rent receivables collected after the respective year ends.

### (8) Contingency

The GALC is party to several legal proceedings; however, the GovGuam Office of Attorney General is unable to assess the likelihood of potential liabilities related to claims outstanding as of September 30, 2021. Hence, it is not possible to predict a reasonable estimation of these claims to be paid through the claims process and, therefore, no provision for any liability that may result has been made in the accompanying financial statements.

**GUAM ANCESTRAL LANDS COMMISSION**

Combining Balance Sheet  
September 30, 2021

|  | Ancestral<br>Lands<br>Operations<br>Fund | Land Bank<br>Trust<br>Fund | Landowner's<br>Recovery<br>Fund | Survey,<br>Infrastructure,<br>and<br>Development<br>Fund | Combined<br>Total    | Eliminating<br>Entries | Total                |
|--|--|----------------------------|---------------------------------|--|----------------------|------------------------|----------------------|
| <u>ASSETS</u>  |  |                            |                                 |  |                      |                        |                      |
| Cash and cash equivalents  | \$ 839                                   | \$ 6,013,149               | \$ 5,035                        | \$ 682,343   | \$ 6,701,366         | \$ -                   | \$ 6,701,366         |
| Time certificates of deposit   | -  | 7,880,095                  | -                               | -  | 7,880,095            | -                      | 7,880,095            |
| Receivables, net   | -  | 728,769                    | -                               | 28,645   | 757,414              | -                      | 757,414              |
| Due from the Survey, Infrastructure,<br>and Development Fund                 | -  | 117,955                    | -                               | -  | 117,955              | (117,955)              | -                    |
| <b>Total assets</b>  | <b>\$ 839</b>                            | <b>\$ 14,739,968</b>       | <b>\$ 5,035</b>                 | <b>\$ 710,988</b>  | <b>\$ 15,456,830</b> | <b>\$ (117,955)</b>    | <b>\$ 15,338,875</b> |
| <u>LIABILITIES, DEFERRED INFLOWS<br/>OF RESOURCES AND FUND BALANCE</u>       |  |                            |                                 |  |                      |                        |                      |
| Liabilities:   |  |                            |                                 |  |                      |                        |                      |
| Accounts payable   | \$ -                                     | \$ 84,421                  | \$ -                            | \$ 4,195   | \$ 88,616            | \$ -                   | \$ 88,616            |
| Due to GovGuam General Fund  | -  | -                          | -                               | 382,934  | 382,934              | -                      | 382,934              |
| Due to the Land Bank Trust Fund  | -  | -                          | -                               | 117,955  | 117,955              | (117,955)              | -                    |
| Security deposits payable  | -  | 77,410                     | -                               | -  | 77,410               | -                      | 77,410               |
| <b>Total liabilities</b>   | <b>-</b>                                 | <b>161,831</b>             | <b>-</b>                        | <b>505,084</b>   | <b>666,915</b>       | <b>(117,955)</b>       | <b>548,960</b>       |
| Deferred inflows of resources:   |  |                            |                                 |  |                      |                        |                      |
| Deferred revenues  | -  | 176,115                    | -                               | -  | 176,115              | -                      | 176,115              |
| <b>Total liabilities and deferred<br/>inflows of resources</b>               | <b>-</b>                                 | <b>337,946</b>             | <b>-</b>                        | <b>505,084</b>   | <b>843,030</b>       | <b>(117,955)</b>       | <b>725,075</b>       |
| Fund balance:  |  |                            |                                 |  |                      |                        |                      |
| Committed  | 839                                      | 14,402,022                 | 5,035                           | 205,904  | 14,613,800           | -                      | 14,613,800           |
| <b>Total liabilities, deferred inflows<br/>of resources and fund balance</b> | <b>\$ 839</b>                            | <b>\$ 14,739,968</b>       | <b>\$ 5,035</b>                 | <b>\$ 710,988</b>  | <b>\$ 15,456,830</b> | <b>\$ (117,955)</b>    | <b>\$ 15,338,875</b> |

See Accompanying Independent Auditors' Report.

**GUAM ANCESTRAL LANDS COMMISSION**

Combining Balance Sheet  
September 30, 2020

|  | Ancestral<br>Lands<br>Operations<br>Fund | Land Bank<br>Trust<br>Fund | Landowner's<br>Recovery<br>Fund | Survey,<br>Infrastructure,<br>and<br>Development<br>Fund | Combined<br>Total    | Eliminating<br>Entries | Total                |
|--|--|----------------------------|---------------------------------|--|----------------------|------------------------|----------------------|
| <u>ASSETS</u>  |  |                            |                                 |  |                      |                        |                      |
| Cash and cash equivalents  | \$ 1,455                                 | \$ 1,147,807               | \$ 5,023                        | \$ 4,987,510   | \$ 6,141,795         | \$ -                   | \$ 6,141,795         |
| Time certificates of deposit   | -  | 7,834,171                  | -                               | -  | 7,834,171            | -                      | 7,834,171            |
| Receivables, net   | -  | 1,817,843                  | -                               | 120,841  | 1,938,684            | -                      | 1,938,684            |
| Prepaid items  | -  | 93,204                     | -                               | -  | 93,204               | -                      | 93,204               |
| Due from the Survey, Infrastructure,<br>and Development Fund                 | -  | 43,824                     | -                               | -  | 43,824               | (43,824)               | -                    |
| <b>Total assets</b>  | <b>\$ 1,455</b>                          | <b>\$ 10,936,849</b>       | <b>\$ 5,023</b>                 | <b>\$ 5,108,351</b>                                      | <b>\$ 16,051,678</b> | <b>\$ (43,824)</b>     | <b>\$ 16,007,854</b> |
| <u>LIABILITIES, DEFERRED INFLOWS<br/>OF RESOURCES AND FUND BALANCE</u>       |  |                            |                                 |  |                      |                        |                      |
| Liabilities:   |  |                            |                                 |  |                      |                        |                      |
| Accounts payable   | \$ -                                     | \$ 65,118                  | \$ -                            | \$ 17,423  | \$ 82,541            | \$ -                   | \$ 82,541            |
| Due to the Survey, Infrastructure,<br>and Development Fund                   | -  | -                          | -                               | 43,824   | 43,824               | (43,824)               | -                    |
| Due to GovGuam General Fund  | -  | -                          | -                               | 321,302  | 321,302              | -                      | 321,302              |
| Security deposits payable  | -  | 77,410                     | -                               | -  | 77,410               | -                      | 77,410               |
| <b>Total liabilities</b>   | <b>-</b>                                 | <b>142,528</b>             | <b>-</b>                        | <b>382,549</b>   | <b>525,077</b>       | <b>(43,824)</b>        | <b>481,253</b>       |
| Deferred inflows of resources:   |  |                            |                                 |  |                      |                        |                      |
| Deferred revenues  | -  | 1,651,081                  | -                               | -  | 1,651,081            | -                      | 1,651,081            |
| <b>Total liabilities and deferred<br/>inflows of resources</b>               | <b>-</b>                                 | <b>1,793,609</b>           | <b>-</b>                        | <b>382,549</b>   | <b>2,176,158</b>     | <b>(43,824)</b>        | <b>2,132,334</b>     |
| Fund balance:  |  |                            |                                 |  |                      |                        |                      |
| Committed  | 1,455                                    | 9,143,240                  | 5,023                           | 4,725,802  | 13,875,520           | -                      | 13,875,520           |
| <b>Total liabilities, deferred inflows<br/>of resources and fund balance</b> | <b>\$ 1,455</b>                          | <b>\$ 10,936,849</b>       | <b>\$ 5,023</b>                 | <b>\$ 5,108,351</b>                                      | <b>\$ 16,051,678</b> | <b>\$ (43,824)</b>     | <b>\$ 16,007,854</b> |

See Accompanying Independent Auditors' Report.

**GUAM ANCESTRAL LANDS COMMISSION**

Combining Statement of Revenues, Expenditures, and  
Changes in Fund Balances  
Year Ended September 30, 2021

|  | Ancestral<br>Lands<br>Operations<br>Fund | Land Bank<br>Trust<br>Fund | Landowner's<br>Recovery<br>Fund | Survey,<br>Infrastructure,<br>and<br>Development<br>Fund | Combined<br>Total    | Eliminating<br>Entries | Total                |
|--|--|----------------------------|---------------------------------|--|----------------------|------------------------|----------------------|
| <b>Revenues:</b>   |  |                            |                                 |  |                      |                        |                      |
| <b>Lease rentals:</b>  |  |                            |                                 |  |                      |                        |                      |
| Base rent  | \$ -                                     | \$ 502,529                 | \$ -                            | \$ 347,978   | \$ 850,507           | \$ -                   | \$ 850,507           |
| Participation rent   | -  | -                          | -                               | 312  | 312                  | -                      | 312                  |
| GovGuam appropriation  | 41,887                                   | -                          | -                               | -  | 41,887               | -                      | 41,887               |
| Interest income  | 3  | 400,928                    | 12                              | 8,207  | 409,150              | -                      | 409,150              |
| <b>Total revenues</b>  | <b>41,890</b>                            | <b>903,457</b>             | <b>12</b>                       | <b>356,497</b>   | <b>1,301,856</b>     | <b>-</b>               | <b>1,301,856</b>     |
| <b>Expenditures:</b>   |  |                            |                                 |  |                      |                        |                      |
| Salaries and wages - regular   | -  | -                          | -                               | 156,855  | 156,855              | -                      | 156,855              |
| Salaries and wages - fringe benefits                                 | -  | -                          | -                               | 43,236   | 43,236               | -                      | 43,236               |
| Health benefits  | -  | -                          | -                               | 24,768   | 24,768               | -                      | 24,768               |
| Contractual services   | 42,037                                   | -                          | -                               | 34,283   | 76,320               | -                      | 76,320               |
| Building rent  | -  | -                          | -                               | 42,266   | 42,266               | -                      | 42,266               |
| Supplies   | 454                                      | -                          | -                               | 3,360  | 3,814                | -                      | 3,814                |
| Communications   | -  | -                          | -                               | 4,668  | 4,668                | -                      | 4,668                |
| Management fee   | -  | 52,444                     | -                               | 49,779   | 102,223              | -                      | 102,223              |
| Miscellaneous  | 15                                       | 103,270                    | -                               | 6,141  | 109,426              | -                      | 109,426              |
| <b>Total expenditures</b>  | <b>42,506</b>                            | <b>155,714</b>             | <b>-</b>                        | <b>365,356</b>   | <b>563,576</b>       | <b>-</b>               | <b>563,576</b>       |
| <b>Excess (deficiency) of revenues<br/>over (under) expenditures</b> | <b>(616)</b>                             | <b>747,743</b>             | <b>12</b>                       | <b>(8,859)</b>   | <b>738,280</b>       | <b>-</b>               | <b>738,280</b>       |
| <b>Other financing sources (uses):</b>                               |  |                            |                                 |  |                      |                        |                      |
| Transfer in from other funds   | -  | 4,511,039                  | -                               | -  | 4,511,039            | (4,511,039)            | -                    |
| Transfer out to other funds  | -  | -                          | -                               | (4,511,039)  | (4,511,039)          | 4,511,039              | -                    |
| <b>Other financing sources (uses), net</b>                           | <b>-</b>                                 | <b>4,511,039</b>           | <b>-</b>                        | <b>(4,511,039)</b>                                       | <b>-</b>             | <b>-</b>               | <b>-</b>             |
| <b>Net change in fund balances</b>                                   | <b>(616)</b>                             | <b>5,258,782</b>           | <b>12</b>                       | <b>(4,519,898)</b>                                       | <b>738,280</b>       | <b>-</b>               | <b>738,280</b>       |
| <b>Fund balances at beginning of year</b>                            | <b>1,455</b>                             | <b>9,143,240</b>           | <b>5,023</b>                    | <b>4,725,802</b>   | <b>13,875,520</b>    | <b>-</b>               | <b>13,875,520</b>    |
| <b>Fund balances at end of year</b>                                  | <b>\$ 839</b>                            | <b>\$ 14,402,022</b>       | <b>\$ 5,035</b>                 | <b>\$ 205,904</b>  | <b>\$ 14,613,800</b> | <b>\$ -</b>            | <b>\$ 14,613,800</b> |

See Accompanying Independent Auditors' Report.

**GUAM ANCESTRAL LANDS COMMISSION**

Combining Statement of Revenues, Expenditures, and  
Changes in Fund Balances  
Year Ended September 30, 2020

|  | Ancestral<br>Lands<br>Operations<br>Fund | Land Bank<br>Trust<br>Fund | Landowner's<br>Recovery<br>Fund | Survey,<br>Infrastructure,<br>and<br>Development<br>Fund | Combined<br>Total | Eliminating<br>Entries | Total          |
|--|--|----------------------------|---------------------------------|--|-------------------|------------------------|----------------|
| <b>Revenues:</b>   |  |                            |                                 |  |                   |                        |                |
| <b>Lease rentals:</b>  |  |                            |                                 |  |                   |                        |                |
| Base rent  | \$ -                                     | \$ 173,148                 | \$ -                            | \$ 576,272   | \$ 749,420        | \$ -                   | \$ 749,420     |
| Participation rent   | -  | -                          | -                               | 104  | 104               | -                      | 104            |
| GovGuam appropriation  | 73,975                                   | -                          | -                               | -  | 73,975            | -                      | 73,975         |
| Interest income  | 4  | 63,619                     | 15                              | 12,117   | 75,755            | -                      | 75,755         |
| Other  | -  | 230                        | -                               | -  | 230               | -                      | 230            |
| <b>Total revenues</b>  | <b>73,979</b>                            | <b>236,997</b>             | <b>15</b>                       | <b>588,493</b>   | <b>899,484</b>    | <b>-</b>               | <b>899,484</b> |
| <b>Expenditures:</b>   |  |                            |                                 |  |                   |                        |                |
| Salaries and wages - regular                                 | 39                                       | -                          | -                               | 171,170  | 171,209           | -                      | 171,209        |
| Salaries and wages - fringe benefits                         | 18                                       | -                          | -                               | 42,652   | 42,670            | -                      | 42,670         |
| Health benefits  | -  | -                          | -                               | 16,460   | 16,460            | -                      | 16,460         |
| Contractual services   | 56,010                                   | -                          | -                               | 12,991   | 69,001            | -                      | 69,001         |
| Building rent  | 14,193                                   | -                          | -                               | 6,174  | 20,367            | -                      | 20,367         |
| Supplies   | -  | -                          | -                               | 2,180  | 2,180             | -                      | 2,180          |
| Equipment  | -  | -                          | -                               | 27,676   | 27,676            | -                      | 27,676         |
| Communications   | 3,715                                    | -                          | -                               | -  | 3,715             | -                      | 3,715          |
| Capital outlay   | -  | -                          | -                               | 37,470   | 37,470            | -                      | 37,470         |
| Management fee   | -  | 15,942                     | -                               | 82,428   | 98,370            | -                      | 98,370         |
| Miscellaneous  | 45                                       | 24                         | -                               | 4,529  | 4,598             | -                      | 4,598          |
| <b>Total expenditures</b>                                    | <b>74,020</b>                            | <b>15,966</b>              | <b>-</b>                        | <b>403,730</b>   | <b>493,716</b>    | <b>-</b>               | <b>493,716</b> |
| Excess (deficiency) of revenues<br>over (under) expenditures | (41)                                     | 221,031                    | 15                              | 184,763  | 405,768           | -                      | 405,768        |
| <b>Other financing sources (uses):</b>                       |  |                            |                                 |  |                   |                        |                |
| Transfer in from other funds                                 | -  | -                          | 5                               | -  | 5                 | (5)                    | -              |
| Transfer out to other funds                                  | -  | -                          | -                               | (5)  | (5)               | 5                      | -              |
| <b>Other financing sources (uses), net</b>                   | <b>-</b>                                 | <b>-</b>                   | <b>5</b>                        | <b>(5)</b>   | <b>-</b>          | <b>-</b>               | <b>-</b>       |
| <b>Net change in fund balances</b>                           | <b>(41)</b>                              | <b>221,031</b>             | <b>20</b>                       | <b>184,758</b>   | <b>405,768</b>    | <b>-</b>               | <b>405,768</b> |
| Fund balances at beginning of year                           | 1,496                                    | 8,922,209                  | 5,003                           | 4,541,044  | 13,469,752        | -                      | 13,469,752     |
| Fund balances at end of year                                 | \$ 1,455                                 | \$ 9,143,240               | \$ 5,023                        | \$ 4,725,802   | \$ 13,875,520     | \$ -                   | \$ 13,875,520  |

See Accompanying Independent Auditors' Report.



**GUAM ANCESTRAL LANDS COMMISSION**

Supplemental Schedule of Employees and Salaries  
Years Ended September 30, 2021 and 2020

|                              | <u>2021</u>       | <u>2020</u>       |
|------------------------------|-------------------|-------------------|
| Salaries and wages - regular | \$ <u>156,855</u> | \$ <u>171,209</u> |
| Number of employees:         |                   |                   |
| Executive Director           | 1                 | 1                 |
| Land Agents                  | 1                 | 1                 |
| Other administrative staff   | <u>1</u>          | <u>1</u>          |
| Total number of employees    | <u>3</u>          | <u>3</u>          |

See Accompanying Independent Auditors' Report.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Commissioners  
Guam Ancestral Lands Commission

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Guam Ancestral Lands Commission (GALC), which comprise the balance sheet as of September 30, 2021, and the related statement of revenues, expenditures and changes in fund balance for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 30, 2022.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the GALC's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the GALC's internal control. Accordingly, we do not express an opinion on the effectiveness of the GALC's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the GALC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as item 2021-001.



## The GALC's Response to Findings

The GALC's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. The GALC's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Deloitte + Tatchell LLP". The signature is written in a cursive, stylized font.

March 30, 2022

## GUAM ANCESTRAL LANDS COMMISSION

### Schedule of Findings and Responses Year Ended September 30, 2021

#### Finding No. 2021-001

##### Survey, Infrastructure and Development Fund

Criteria: Public Law 34-108 created the Survey, Infrastructure and Development Fund for the purpose of accounting for lease revenues earned from all leases of Apra Harbor Reservation F-12 and Parcel N14-1 (the Polaris Point parcels) under the jurisdiction of the GALC.

Condition: During the year ended September 30, 2021, the GALC recognized lease revenues of \$137,637 from a tenant, net of \$19,682 in management fees, for the use of the Tanguisson Cable Landing Station property in the Survey, Infrastructure and Development Fund; however, the Tanguisson property does not represent land associated with the Polaris Point parcels. Instead, the land represents Land Bank property for which lease revenues are required to be accounted for in the Land Bank Trust Fund.

Cause: The cause of the above condition is the deposit of lease revenues, net of management fees, in the Survey, Infrastructure and Development Fund bank account.

Effect: The effect of the above condition is potential noncompliance with Public Law 34-108. An audit adjustment was proposed to recognize lease revenues, net of management fees, in the Land Bank Trust Fund resulting in an interfund receivable and payable balance of \$117,955.

Recommendation: We recommend the GALC recognize and record collections of lease revenues from land in accordance with the purpose and the property for which the fund was created. Furthermore, we recommend the GALC transfer \$117,955 cash from the Survey, Infrastructure and Development Fund bank account to the Land Bank Trust Fund.

Auditee Response and Corrective Action Plan: GALC agrees with the recommendation to resolve the audit finding. Please note that \$117,955 recommended transfer is a cumulative net (monthly lease payment less GEDA management fees) total from October 2020 to February 2021. All payments received in the subsequent months of FY2021 have been deposited into GALC's Land Bank Trust Fund.

**GUAM ANCESTRAL LANDS COMMISSION**

Unresolved Prior Audit Findings  
Year Ended September 30, 2021

There were no unresolved audit findings from prior year audits of the GALC.