



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

Guam Ancestral Lands Commission – FY 2021 Financial Highlights

April 6, 2022

The Office of Public Accountability has released the Guam Ancestral Lands Commission's (GALC) fiscal year (FY) 2021 financial statements, report on compliance and internal controls, management letter, and auditor's communication with those charged with governance. Independent auditors Deloitte and Touche, LLP issued an unmodified "clean" opinion on GALC's financial statements. GALC closed FY 2021 with an increase of \$333 thousand (K) or 82% in the net change in fund balance (net income). This resulted in a \$738K or 5% gain in the overall fund balance of \$14.6 million (M) compared to FY 2020's ending balance of \$13.9M.

Revenues Increase by \$402K

GALC's FY 2021 total revenues of \$1.3M increased by \$402K (45%), from \$899K in FY 2020. This was due to the \$333K increase of interest income earned on the GALC's time certificates of deposit and the \$101K increase in lease rentals revenues.

There are potential revenues not being collected as GALC recorded \$2.4M in lease rental receivables, which included \$978K in deferred rental payments and \$805K in delinquent lease rental payments. In FY 2021, \$2.1M of total receivables were determined uncollectible. On November 15, 2021, the GALC Board approved a deferred payment arrangement with Northern Market, LLC, for its commercial lease of the Wettengel Junction property. To ensure the collecting of receivables, the Guam Economic Development Authority (GEDA) provides property management services for all GALC commercial lessees/licensees. Part of GEDA's services is the invoicing and collecting of monthly rental payments to include deferred or delinquent payments.

Expenditures Increase by \$70K

Total expenditures increased by \$70K (14%), from \$494K in FY 2020 to \$564K in FY 2021. This increase was primarily due to roof repairs being carried out on a tenant-leased building. GEDA incurred costs of \$121K on behalf of GALC.

Land Valuation

Total investment in land and other real estate at the government-wide level was valued at \$454M as of FY 2021, an increase of \$1M. Of the total \$454M, GALC's land inventory is valued at \$8.7M based on estimated current value and appraisals.

Land Bank Rules and Regulations' (LBRR) Challenges Prevent Landowners' Compensation

As trustees and on behalf of qualified ancestral landowners, GALC shall establish rules and regulations for the administration, management, and development of all identified lands with resulting income to provide just compensation for dispossessed ancestral landowners. Since its creation, GALC has faced many challenges regarding the establishment of the LBRR. Without the LBRR, GALC has yet to start the just compensation to families who will not benefit from returned

ancestral property. This has been a reoccurring challenge as far back as the FY 2012 Financial Audit.

A draft of the LBRR was submitted to the Office of the Attorney General (OAG) on April 2017. The OAG subsequently rejected the draft and opined that until such time when the Guam Legislature amends the current statute with specific language for definitions and payments, the GALC will be unable to submit legally acceptable rules and regulations for compensation to dispossessed ancestral landowners. Proposed legislation to amend Chapter 80, Title 21 GCA has been in progress since January 2021. The GALC Commissioners and Executive Director will continue dialogue with the Administration and the Guam Legislature to finalize the LBRR.

Report on Internal Control Over Financial Reporting

During FY 2021, GALC recognized lease revenues of \$138K paid by a tenant, which was recorded in the Survey, Infrastructure, and Development Fund for the use of the Tanguisson Cable Landing Station property. Lease revenues for this property should be accounted for in the Land Bank Trust.

Independent auditors recommended that GALC recognize and record collections of lease revenues from land in accordance with the purpose and property for which respective funds are created and that GALC transfer \$118K from the Survey, Infrastructure, and Development Fund to the Land Bank Trust Fund. GALC resolved the finding by proceeding with the audit adjustment and depositing all payments in the subsequent months of FY 2021 into GALC's Land Bank Trust Fund.

There were no unresolved audit findings from prior year audits.

Management Letter

In a separate management letter, independent auditors identified the following deficiencies: (1) deficiencies in allowance for uncollectible accounts for delinquent lease rental payments; (2) non-compliance with applicable procurement requirements such as document retention; (3) non-compliance with the memorandum of understanding for the lease of Wettengel Junction; (4) no formalized contract agreement between GALC and the Department of Land Management for GALC's occupancy of space in the Department of Land Management office; and (5) cash transfer from the Land Bank Trust Fund to the Survey, Infrastructure, and Development Fund bank account for Settlement proceeds from a tenant which exceed the required reimbursement amount.

For more details, see the Management's Discussion and Analysis in the Financial Statements. These reports may be downloaded at www.opaguam.org.