

GUAM ANCESTRAL LANDS COMMISSION

**(A GOVERNMENTAL FUND OF THE
GOVERNMENT OF GUAM)**

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

YEARS ENDED SEPTEMBER 30, 2019 AND 2018

GUAM ANCESTRAL LANDS COMMISSION

Years Ended September 30, 2019 and 2018
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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, 2019 and 2018, 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, 2019 and 2018, 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.

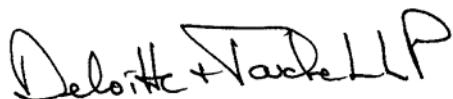
Other Information

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 18 through 21 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 22 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 May 27, 2020, 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.



May 27, 2020

GUAM ANCESTRAL LANDS COMMISSION

Management's Discussion and Analysis
September 30, 2019 and 2018

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, Suite 303, 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 land owners. 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 the GovGuam 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 Administrative Director position.

Our Management's Discussion and Analysis (MD&A) provides an overview of the GALC's financial activities for the fiscal years ended September 30, 2019 and 2018. 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 by \$13,469,752 at the close of fiscal year 2019 as compared to \$8,561,786 at the close of fiscal year 2018.
- Total assets on September 30, 2019 increased by \$6,195,598 (or 67%) as compared to September 30, 2018.
- Total liabilities on September 30, 2019 increased by \$1,287,632 (or 176%) as compared to September 30, 2018.
- Total fund balance on September 30, 2019 increased by \$4,907,966 (or 57%) as compared to September 30, 2018.
- Total revenues of \$6,005,164 for fiscal year 2019 increased by \$2,670,710 (or 80%) as compared to \$3,334,454 for fiscal year 2018. Total expenditures of \$1,097,198 for fiscal year 2019 increased by \$902,211 (or 463%) as compared to \$194,987 for fiscal year 2018. This resulted in an increase in the fund balance of \$4,907,966 for fiscal year 2019 as compared to \$3,139,467 for fiscal year 2018.

2. Overview of the Financial Statements

The GALC's financial statements include all of the activities of Ancestral Lands Operations Fund, Land Bank Trust Fund, and Landowner's Recovery Fund. The financial statements include a Balance Sheet and Statements of Revenues, Expenditures, and Changes in Fund Balance for Fiscal Years 2019 and 2018.

Notes to the financial statements are additional information needed to provide further understanding of the basic financial statements.

GUAM ANCESTRAL LANDS COMMISSION

Management's Discussion and Analysis, Continued
September 30, 2019 and 2018

3. Financial Statement Analysis

Management's Discussion and Analysis for the year ended September 30, 2018 is set forth in the GALC's report on the audit of financial statements, which is dated March 29, 2019. That Management Discussion and Analysis explains the major factors impacting the 2018 financial statements and may be obtained from the contact information below.

GALC's Balance Sheets

The balance sheet discloses information on the GALC's assets, liabilities, and fund balance at year-end. The condensed summary of the GALC's balance sheet shown below as of September 30, 2019 as compared as of September 30, 2018 and 2017.

	2019	2018	Total Percentage Change 2019-2018	2017
Cash and cash equivalents	\$ 378,552	\$ 3,135,820	(88)%	\$ 4,192,316
Time certificates of deposit	8,830,449	5,246,913	68%	1,134,316
Receivables, Net	<u>6,278,414</u>	<u>909,084</u>	591%	<u>416,041</u>
Total assets	<u>15,487,415</u>	<u>9,291,817</u>	67%	<u>5,742,673</u>
Accounts payable	764,383	27,655	2664%	13,706
Security deposits payable	75,310	75,310	0%	75,310
Unearned revenue	<u>1,177,970</u>	<u>627,066</u>	88%	<u>231,338</u>
Total liabilities	<u>2,017,663</u>	<u>730,031</u>	176%	<u>320,354</u>
Fund balance:				
Committed	<u>13,469,752</u>	<u>8,561,786</u>	57%	<u>5,422,319</u>
Total fund balance	<u>\$ 13,469,752</u>	<u>\$ 8,561,786</u>	57%	<u>\$ 5,422,319</u>

Total assets increased by \$6,195,598 (or 67%) in 2019 compared to 2018 primarily due to increased receivables. The increase in time certificates of deposit was offset by the decrease in cash and cash equivalents. In order to maximize earnings on funds, the GALC transferred excess cash into interest earning deposit accounts. The increase in receivables is due to a \$4,896,725 agreement that the GALC entered into with AT&T for the Tanguisson Cable Station as settlement for a claim for the use of GALC owned property from January 1, 2007 to September 30, 2019. This amount was paid in full in November 2019.

Total liabilities increased by \$1,287,632 (or 176%) in 2019 compared to 2018 primarily due to the increase in accounts payable and unearned revenue. The increase in accounts payable is due to an increase in management fees payable to the Guam Economic Development Authority (GEDA) under the memorandum of agreement with the GALC in assisting with the development, management, and maintenance of GALC Lands. Management fees of \$700,232 payable to GEDA are associated with the AT&T settlement agreement.

Total fund balance increased by \$4,907,966 (or 57%) in 2019 compared to 2018 primarily due to the increase in revenues received from AT&T of \$4,896,725 in 2019 associated with the settlement agreement for the use of GALC land at the Tanguisson Cable Station.

GUAM ANCESTRAL LANDS COMMISSION

Management's Discussion and Analysis, Continued
September 30, 2019 and 2018

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 the GALC's revenues and expenditures for the year. The condensed summary of the GALC's revenues and expenditures shown below for the year ended September 30, 2019 as compared with the years ended September 30, 2018 and 2017.

	<u>2019</u>	<u>2018</u>	Total Percentage Change <u>2019-2018</u>	<u>2017</u>
Revenues:				
Lease rentals	\$ 5,698,224	\$ 729,067	682%	\$ 711,900
General Fund appropriation	221,838	91,093	144%	86,588
Proceeds from sale of land	-	2,490,000	(100)%	-
Other	<u>85,102</u>	<u>24,294</u>	250%	<u>261,458</u>
Total revenues	<u>6,005,164</u>	<u>3,334,454</u>	80%	<u>1,059,946</u>
Expenditures:				
Salaries, wages and benefits	158,566	58,444	171%	56,362
Contractual services	48,944	26,784	83%	26,476
Management fees	857,868	105,704	712%	97,991
Other	<u>31,820</u>	<u>4,055</u>	685%	<u>17,331</u>
Total expenditures	<u>1,097,198</u>	<u>194,987</u>	463%	<u>198,160</u>
Change in fund balance	4,907,966	3,139,467	56%	861,786
Fund balance - beginning	<u>8,561,786</u>	<u>5,422,319</u>	58%	<u>4,560,533</u>
Fund balance - ending	<u>\$ 13,469,752</u>	<u>\$ 8,561,786</u>	57%	<u>\$ 5,422,319</u>

Total revenues increased by \$2,670,710 (or 80%) from \$3,334,454 in 2018 to \$6,005,164 in 2019. The increase in revenues for 2019 was primarily due to an increase in lease rental revenues received offset by a decrease in proceeds from sale of land. Lease rental revenues increased by \$4,969,157 (or 682%) from \$729,067 in 2018 to \$5,698,224 in 2019. The increase in lease rental revenues was primarily due to the \$4,896,725 settlement agreement with AT&T for the use of the Tanguisson Cable Station land. The decrease in land sale proceeds was due to no land sale transactions in 2019. In 2018, Public Law 33-198 approved the transfer of 70,000 square meters of GALC land for \$2,490,000 to Guam Waterworks Authority for the Northern District Wastewater Treatment Plant expansion.

Total expenditures increased by \$902,211 (or 463%) from \$194,987 in 2018 to \$1,097,198 in 2019. The increase in expenditures for 2019 was primarily due to an increase in salaries and wages expenditures as well as management fees charged by GEDA. Salaries, wages and benefits increased by \$100,122 (or 171%) from \$58,444 in 2018 to \$158,566 in 2019. This increase was due to an increase in GALC employees from one in 2018 to three in 2019. Management fees increased by \$752,164 (or 712%) from \$105,704 in 2018 to \$857,868 in 2019 due to fees of \$700,232 charged by GEDA associated with the AT&T settlement agreement.

GUAM ANCESTRAL LANDS COMMISSION

Management's Discussion and Analysis, Continued
September 30, 2019 and 2018

4. Challenges and Accomplishments

Our mission is to administer the Guam Ancestral Lands Act in order that ancestral landowners, their heirs and descendants may expeditiously exercise all the fundamental civil rights in the property they own; establish a land bank to provide just compensation for dispossessed ancestral landowners; and when appropriate, assume the role of Claims Facilitator to assist ancestral landowners in pursuit of just remedies. Moreover, the GALC is mandated to establish an account known as the Land Bank. The funds deposited into this account will be used to compensate original landowners who will never realize the return of their ancestral lands. Another fund under the custody of the GALC is known as the Landowner's Recovery Fund. Money available within this fund is for the purpose of granting loans, guarantees of loans to aid landowners to defer costs or fees of professional services. Unfortunately, the GALC has been unable to begin such activities because of the lack of staff and a committed funding source.

On June 5, 2018, Public Law 34-108 was enacted into law and created the Guam Ancestral Lands Commission Survey, Infrastructure, and Development Fund. This fund is restricted for purposes of surveying and mapping, purchase and installation of infrastructure, including paved access roads and commercial development of GALC properties, and for the administrative, operational and financial support of these activities.

At the year-end, September 30, 2019, the GALC operated with a board of seven members and was supported by 2 classified and 2 unclassified employees. In FY2019, the GALC did not return any property, and the GALC's aggregate amount of land returned remains at 2,643.12 acres. Furthermore, the GALC incurred \$857,868 in management fees for GEDA services provided in FY2019.

In FY2019, the GALC was unable to finalize the Land Bank Rules and Regulations. This unaccomplished task prevented the GALC from compensating original landowners who are unable to benefit from the return of their federal condemned property. Furthermore, the reluctance of property owners to dedicate a small portion of their property and the lack of authority to utilize financial resources prevented the GALC from providing easements to returned property.

5. Outlook

The GALC Commissioners and Executive Director will reevaluate the needs of the commission to determine the needed personnel and office space area due to the separation from DLM through the implementation of Executive Order 2019-001. In addition, the Commission and Executive Director will continue dialogue with the Guam Legislature to address the concerns of the Attorney General's office related to the Land Bank Rules and Regulations.

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 Joseph Angoco, Executive Director at 649-5263 ext. 681 or email joseph.angoco@galc.guam.gov.

GUAM ANCESTRAL LANDS COMMISSION

Balance Sheets
September 30, 2019 and 2018

	2019	2018
<u>ASSETS</u>		
Cash and cash equivalents	\$ 378,552	\$ 3,135,820
Time certificates of deposit	8,830,449	5,246,913
Receivables, net	6,278,414	909,084
Total assets	\$ 15,487,415	\$ 9,291,817
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities:		
Accounts payable	\$ 764,383	\$ 27,655
Security deposits payable	75,310	75,310
Unearned revenue	1,177,970	627,066
Total liabilities	2,017,663	730,031
Commitments and contingency		
Fund balance:		
Committed	13,469,752	8,561,786
Total fund balance	13,469,752	8,561,786
Total liabilities and fund balance	\$ 15,487,415	\$ 9,291,817

See accompanying notes to financial statements.

GUAM ANCESTRAL LANDS COMMISSION

Statements of Revenues, Expenditures, and Changes in Fund Balances
Years Ended September 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Revenues:		
Lease rentals:		
Base rent	\$ 5,697,834	\$ 728,248
Participation rent	390	819
GovGuam appropriation	221,838	91,093
Proceeds from sale of land	-	2,490,000
Interest income	80,902	22,239
Other	<u>4,200</u>	<u>2,055</u>
Total revenues	<u>6,005,164</u>	<u>3,334,454</u>
Expenditures:		
Salaries and wages - regular	113,986	39,944
Salaries and wages - fringe benefits	30,081	11,116
Health benefits	14,499	7,384
Contractual services	48,944	26,784
Management fees	857,868	105,704
Miscellaneous	<u>31,820</u>	<u>4,055</u>
Total expenditures	<u>1,097,198</u>	<u>194,987</u>
Net change in fund balances	4,907,966	3,139,467
Fund balances at beginning of year	<u>8,561,786</u>	<u>5,422,319</u>
Fund balances at end of year	<u>\$ 13,469,752</u>	<u>\$ 8,561,786</u>

See accompanying notes to financial statements.

GUAM ANCESTRAL LANDS COMMISSION

Notes to Financial Statements
September 30, 2019 and 2018

(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.

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 the GovGuam 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 Administrative 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.

GUAM ANCESTRAL LANDS COMMISSION

Notes to Financial Statements
September 30, 2019 and 2018

(2) Summary of Significant Accounting Policies, Continued

Measurement Focus and Basis of Accounting, Continued

- 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.
- 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.

GUAM ANCESTRAL LANDS COMMISSION

Notes to Financial Statements
September 30, 2019 and 2018

(2) Summary of Significant Accounting Policies, Continued

Cash and Cash Equivalents and Time Certificates of Deposit, Continued

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, 2019 and 2018, the carrying amount and corresponding bank balances of the GALC's cash and cash equivalents and time certificates of deposit were \$9,209,001 and \$8,382,733, 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, 2019 and 2018, bank deposits in the amount of \$64,299 and 77,976, respectively, were FDIC insured and bank deposits in the amount of \$500,000 were NCUA insured. The GALC does not require collateralization of its cash deposits; therefore, deposit levels in excess of depository insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

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.

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.

Unearned Revenue

Unearned revenue represents base and participation rent revenues accrued which do 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, 2019 and 2018

(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, 2019, the GALC implemented the following pronouncements:

- GASB Statement No. 83, *Certain Asset Retirement Obligations*, which addresses accounting and financial reporting for certain asset retirement obligations (AROs) associated with the retirement of a tangible capital asset.
- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements.

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

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of all state and local governments. The provisions in Statement No. 84 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In June 2017, GASB issued Statement No. 87, *Leases*, which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in Statement No. 87 are effective for fiscal years beginning after December 15, 2019. Management has yet to determine whether the implementation of this statement will have a material effect on the financial statements.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The provisions in Statement No. 89 are effective for fiscal years beginning after December 15, 2019. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

GUAM ANCESTRAL LANDS COMMISSION

Notes to Financial Statements
September 30, 2019 and 2018

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests - an Amendment of GASB Statements No. 14 and No. 61*, which improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and the relevance of financial statement information for certain component units. The provisions in Statement No. 90 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*, which clarifies 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. The provisions in Statement No. 91 are effective for fiscal years beginning after December 15, 2020. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postpones the effective dates of GASB Statement No. 84, 89, 90 and 91 by one year and GASB Statement No. 87 by 18 months; however, earlier application of the provisions addressed in GASB Statement No. 95 is encouraged and is permitted to the extent specified in each pronouncement as originally issued. Management has yet to ascertain whether implementation of these statements will be postponed as provided in GASB Statement No. 95.

(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, 2019 and 2018, including the applicable allowance for uncollectible accounts, are as follows:

	<u>2019</u>	<u>2018</u>
Receivables:		
Lease rental	\$ 6,065,446	\$ 1,029,668
Interest receivable	198,206	89,789
Due from the GovGuam General Fund	-	1,865
Due from Guam Economic Development Authority (GEDA)	<u>75,310</u>	<u>75,310</u>
	6,338,962	1,196,632
Less allowance for uncollectible accounts	<u>(60,548)</u>	<u>(287,548)</u>
	<u>\$ 6,278,414</u>	<u>\$ 909,084</u>

GUAM ANCESTRAL LANDS COMMISSION

Notes to Financial Statements
September 30, 2019 and 2018

(4) Receivables, Continued

As of September 30, 2018, lease rental receivables include \$320,000 due from the Guam Environmental Protection Agency with a corresponding allowance for uncollectible accounts of \$224,000.

(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, 2019 and 2018, security deposits in the amount of \$75,310 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, 2019 and 2018, the GALC recognized certain on-behalf payments as contributions from GovGuam, totaling \$211,838 and \$91,093, 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, 2019 and 2018, GEDA withheld \$93,485 and \$78,049, respectively, of all rents received representing lease management services as discussed in Note 7 of the financial statements. As of September 30, 2019 and 2018, the GALC has recognized a liability of \$64,151 and \$27,655, respectively, for lease management services relating to rent receivables yet to be collected after the respective year ends. Furthermore, the GALC has recognized a \$700,232 liability to GEDA at September 30, 2019 in relation to a settlement as discussed in Note 9 to the financial statements.

During the years ended September 30, 2019 and 2018, certain legal costs of \$24,444 and \$24,259, 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, 2019 and 2018, such land is valued at \$450,181,806 and \$458,751,008, respectively, of which \$6,702,885 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.

In 2018, the GALC received \$2,490,000 as proceeds of sale of land to Guam Waterworks Authority. The transfer was approved through Public Law 33-198 which covers an area of 70,000 square meters for the purpose of construction of the upgrade and expansion of the Northern District Wastewater Treatment Plant.

GUAM ANCESTRAL LANDS COMMISSION

Notes to Financial Statements
September 30, 2019 and 2018

(7) Commitments

The GALC has ground lease agreements with six 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 \$3,113 payable monthly in advance (\$3,658 and \$3,619 as of September 30, 2019 and 2018, respectively) 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, 2019 and 2018, the GALC recognized lease base rental revenue of \$43,782 and \$41,930, 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 adjusted to \$24,804 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 30th 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.

During the years ended September 30, 2019 and 2018, the GALC recognized lease base rental revenue of \$297,650 and \$297,650, respectively, and lease participation rental revenue of \$390 and \$819, respectively, associated with this lease agreement.

GUAM ANCESTRAL LANDS COMMISSION

Notes to Financial Statements
September 30, 2019 and 2018

(7) Commitments, Continued

Apra Harbor Reservation F-12 (Polaris Point), Continued:

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, 2019 and 2018, the GALC recognized lease base rental revenue of \$5,000 and \$6,000, respectively, associated with this license.

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 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 years ended September 30, 2019 and 2018, the GALC recognized lease base rental revenue of \$124,926 and \$185,868, respectively, and interest income from deferred payments of \$27,514 for the year ended September 30, 2019, associated with this lease.

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 years ended September 30, 2019 and 2018, the GALC recognized lease base rental revenue of \$223,991 and \$96,000, respectively, associated with this license.

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, 2019 and 2018, the GALC recognized lease base rental revenue of \$78,246 and \$100,800, respectively, associated with this agreement.

GUAM ANCESTRAL LANDS COMMISSION

Notes to Financial Statements
September 30, 2019 and 2018

(7) Commitments, Continued

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

<u>Year Ending</u> <u>September 30,</u>	
2020	\$ 661,444
2021	1,356,255
2022	876,540
2023	876,967
2024	877,398
2025 - 2029	4,031,799
2030 - 2034	4,206,063
2035 - 2039	4,031,721
2040 - 2044	4,165,754
2045 - 2049	4,418,172
2050 - 2054	4,695,181
2055 - 2059	4,904,623
2060 - 2064	<u>3,186,954</u>
	<u>\$ 38,288,871</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, 2019 and 2018, GEDA withheld \$121,140 and \$91,756, respectively, of all rents received as payment for lease management services. As of September 30, 2019 and 2018, the GALC has recognized a liability of \$64,151 and \$27,655, 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, 2019. 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.

(9) Subsequent Event

On October 1, 2019, the GALC entered into an agreement for consideration of \$4,896,725 to settle a claim for the use of GALC owned property from January 1, 2007 to September 30, 2019. The settlement is presented as a component of receivables within the accompanying financial statements as of September 30, 2019. Furthermore, the GALC has recognized a \$700,232 liability to GEDA at September 30, 2019 in relation to this settlement.

GUAM ANCESTRAL LANDS COMMISSION

Combining Balance Sheet
September 30, 2019

	Ancestral Lands Operations Fund	Land Bank Trust Fund	Landowner's Recovery Fund	Survey, Infrastructure, and Development Fund	Combined Total	Eliminating Entries	Total
<u>ASSETS</u>							
Cash and cash equivalents	\$ 1,496	\$ 64,299	\$ 5,003	\$ 307,754	\$ 378,552	\$ -	\$ 378,552
Time certificates of deposit	-	8,830,449	-	-	8,830,449	-	8,830,449
Receivables, net	-	1,355,385	-	4,923,029	6,278,414	-	6,278,414
Due from the Land Bank Trust Fund	-	-	-	15,040	15,040	(15,040)	-
Total assets	<u>\$ 1,496</u>	<u>\$ 10,250,133</u>	<u>\$ 5,003</u>	<u>\$ 5,245,823</u>	<u>\$ 15,502,455</u>	<u>\$ (15,040)</u>	<u>\$ 15,487,415</u>
<u>LIABILITIES AND FUND BALANCE</u>							
Liabilities:							
Accounts payable	\$ -	\$ 60,604	\$ -	\$ 703,779	\$ 764,383	\$ -	\$ 764,383
Due to the Survey, Infrastructure, and Development Fund	-	15,040	-	-	15,040	(15,040)	-
Security deposits payable	-	75,310	-	-	75,310	-	75,310
Unearned revenue	-	1,176,970	-	1,000	1,177,970	-	1,177,970
Total liabilities	<u>-</u>	<u>1,327,924</u>	<u>-</u>	<u>704,779</u>	<u>2,032,703</u>	<u>(15,040)</u>	<u>2,017,663</u>
Fund balance:							
Committed	<u>1,496</u>	<u>8,922,209</u>	<u>5,003</u>	<u>4,541,044</u>	<u>13,469,752</u>	<u>-</u>	<u>13,469,752</u>
Total fund balance	<u>1,496</u>	<u>8,922,209</u>	<u>5,003</u>	<u>4,541,044</u>	<u>13,469,752</u>	<u>-</u>	<u>13,469,752</u>
Total liabilities and fund balance	<u>\$ 1,496</u>	<u>\$ 10,250,133</u>	<u>\$ 5,003</u>	<u>\$ 5,245,823</u>	<u>\$ 15,502,455</u>	<u>\$ (15,040)</u>	<u>\$ 15,487,415</u>

See Accompanying Independent Auditors' Report.

GUAM ANCESTRAL LANDS COMMISSION

Combining Balance Sheet
September 30, 2018

	Ancestral Lands Operations Fund	Land Bank Trust Fund	Landowner's Recovery Fund	Survey, Infrastructure, and Development Fund	Combined Total	Eliminating Entries	Total
<u>ASSETS</u>							
Cash and cash equivalents	\$ 950	\$ 3,102,464	\$ 7,487	\$ 24,919	\$ 3,135,820	\$ -	\$ 3,135,820
Time certificates of deposit	-	5,246,913	-	-	5,246,913	-	5,246,913
Receivables, net	1,865	783,036	-	124,183	909,084	-	909,084
Due from the Land Bank Trust Fund	-	-	-	36,947	36,947	(36,947)	-
Total assets	<u>\$ 2,815</u>	<u>\$ 9,132,413</u>	<u>\$ 7,487</u>	<u>\$ 186,049</u>	<u>\$ 9,328,764</u>	<u>\$ (36,947)</u>	<u>\$ 9,291,817</u>
<u>LIABILITIES AND FUND BALANCE</u>							
Liabilities:							
Accounts payable	\$ -	\$ 23,347	\$ -	\$ 4,308	\$ 27,655	\$ -	\$ 27,655
Due to the Survey, Infrastructure, and Development Fund	-	36,947	-	-	36,947	(36,947)	-
Security deposits payable	-	75,310	-	-	75,310	-	75,310
Unearned revenue	-	532,469	-	94,597	627,066	-	627,066
Total liabilities	-	668,073	-	98,905	766,978	(36,947)	730,031
Fund balance:							
Committed	2,815	8,464,340	7,487	87,144	8,561,786	-	8,561,786
Total fund balance	2,815	8,464,340	7,487	87,144	8,561,786	-	8,561,786
Total liabilities and fund balance	<u>\$ 2,815</u>	<u>\$ 9,132,413</u>	<u>\$ 7,487</u>	<u>\$ 186,049</u>	<u>\$ 9,328,764</u>	<u>\$ (36,947)</u>	<u>\$ 9,291,817</u>

See Accompanying Independent Auditors' Report.

GUAM ANCESTRAL LANDS COMMISSION

Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Year Ended September 30, 2019

	Ancestral Lands Operations Fund	Land Bank Trust Fund	Landowner's Recovery Fund	Survey, Infrastructure, and Development Fund	Combined Total	Eliminating Entries	Total
Revenues:							
Lease rentals:							
Base rent	\$ -	\$ 498,459	\$ -	\$ 5,199,375	\$ 5,697,834	\$ -	\$ 5,697,834
Participation rent	-	-	-	390	390	-	390
GovGuam appropriation	221,838	-	-	-	221,838	-	221,838
Interest income	5	80,351	16	530	80,902	-	80,902
Other	-	4,200	-	-	4,200	-	4,200
Total revenues	<u>221,843</u>	<u>583,010</u>	<u>16</u>	<u>5,200,295</u>	<u>6,005,164</u>	<u>-</u>	<u>6,005,164</u>
Expenditures:							
Salaries and wages - regular	113,986	-	-	-	113,986	-	113,986
Salaries and wages - fringe benefits	30,081	-	-	-	30,081	-	30,081
Health benefits	14,499	-	-	-	14,499	-	14,499
Contractual services	48,944	-	-	-	48,944	-	48,944
Management fee	-	115,755	-	742,113	857,868	-	857,868
Miscellaneous	18,152	13,668	-	-	31,820	-	31,820
Total expenditures	<u>225,662</u>	<u>129,423</u>	<u>-</u>	<u>742,113</u>	<u>1,097,198</u>	<u>-</u>	<u>1,097,198</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,819)</u>	<u>453,587</u>	<u>16</u>	<u>4,458,182</u>	<u>4,907,966</u>	<u>-</u>	<u>4,907,966</u>
Other financing sources (uses):							
Transfer in from other funds	2,500	4,282	-	-	6,782	(6,782)	-
Transfer out to other funds	-	-	(2,500)	(4,282)	(6,782)	6,782	-
Other financing sources (uses), net	<u>2,500</u>	<u>4,282</u>	<u>(2,500)</u>	<u>(4,282)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(1,319)	457,869	(2,484)	4,453,900	4,907,966	-	4,907,966
Fund balances at beginning of year	2,815	8,464,340	7,487	87,144	8,561,786	-	8,561,786
Fund balances at end of year	<u>\$ 1,496</u>	<u>\$ 8,922,209</u>	<u>\$ 5,003</u>	<u>\$ 4,541,044</u>	<u>\$ 13,469,752</u>	<u>\$ -</u>	<u>\$ 13,469,752</u>

See Accompanying Independent Auditors' Report.

GUAM ANCESTRAL LANDS COMMISSION

Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Year Ended September 30, 2018

	Ancestral Lands Operations Fund	Land Bank Trust Fund	Landowner's Recovery Fund	Survey, Infrastructure, and Development Fund	Total
Revenues:					
Lease rentals:					
Base rent	\$ -	\$ 627,031	\$ -	\$ 101,217	\$ 728,248
Participation rent	-	572	-	247	819
GovGuam appropriation	91,093	-	-	-	91,093
Proceeds from sale of land	-	2,490,000	-	-	2,490,000
Interest income	3	22,203	23	10	22,239
Other	-	2,000	5	50	2,055
	<u>-</u>	<u>2,000</u>	<u>5</u>	<u>50</u>	<u>2,055</u>
Total revenues	<u>91,096</u>	<u>3,141,806</u>	<u>28</u>	<u>101,524</u>	<u>3,334,454</u>
Expenditures:					
Salaries and wages - regular	39,944	-	-	-	39,944
Salaries and wages - fringe benefits	11,116	-	-	-	11,116
Health benefits	7,384	-	-	-	7,384
Contractual services	26,784	-	-	-	26,784
Management fee	-	91,324	-	14,380	105,704
Miscellaneous	4,055	-	-	-	4,055
	<u>4,055</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,055</u>
Total expenditures	<u>89,283</u>	<u>91,324</u>	<u>-</u>	<u>14,380</u>	<u>194,987</u>
Net change in fund balances	1,813	3,050,482	28	87,144	3,139,467
Fund balances at beginning of year	<u>1,002</u>	<u>5,413,858</u>	<u>7,459</u>	<u>-</u>	<u>5,422,319</u>
Fund balances at end of year	<u>\$ 2,815</u>	<u>\$ 8,464,340</u>	<u>\$ 7,487</u>	<u>\$ 87,144</u>	<u>\$ 8,561,786</u>

See Accompanying Independent Auditors' Report.

GUAM ANCESTRAL LANDS COMMISSION

Supplemental Schedule of Employees and Salaries
Years Ended September 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Salaries and wages - regular	<u>\$ 113,986</u>	<u>\$ 39,944</u>
Number of employees:		
Executive Director	1	-
Land Agents	<u>2</u>	<u>1</u>
Total number of employees	<u><u>3</u></u>	<u><u>1</u></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, 2019, 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 May 27, 2020.

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) to determine the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as item 2019-001 that we consider to be material weaknesses.

Compliance and Other Matters

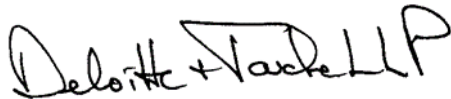
As part of obtaining reasonable assurance about whether the GALC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 + Staebell LLP". The signature is written in a cursive, flowing style.

May 27, 2020

GUAM ANCESTRAL LANDS COMMISSION

Schedule of Findings and Responses Year Ended September 30, 2019

Finding No. 2019-001

Account Reconciliation

Criteria: Effective internal control over financial reporting necessitates that the general ledger (GL) balances agree to underlying subsidiary ledgers and that reconciliations be performed timely.

Condition: During the year ended September 30, 2019, the following were noted:

- Bank reconciliations were not timely prepared.
- The GL reflected undeposited cash balances of \$175,529.
- Collections were not completely recorded.
- Receivables, deferred revenues, lease revenues and management fees were not updated to agree with expected year-end balance.
- Operational expenditures and government appropriations were not reported in the financial statements.

Cause: The cause of the above condition is a lack of adequate internal control policies and procedures requiring that general ledger balances be timely reconciled to subsidiary ledgers and underlying accounting records.

Effect: The effect of the above condition is the misstatement of general ledger account balances that were corrected during the audit process.

Recommendation: We recommend management implement adequate internal control policies and procedures that facilitate timely reconciliation and independent review of general ledger account balances to facilitate timely and complete financial reporting.

Auditee Response and Corrective Action Plan: GALC management concurs that internal controls are not in place. Rather than expound on reasons for the lack of internal controls, the following steps have been accomplished to address the issue:

1. Reevaluate GEDA role in regards to property management services for the GALC.
2. Management has secured GALC Board approval (voted on and approved during regularly scheduled GALC Public board meeting) for FY2020 Supplemental budget proposal. This supplemental budget request has been forwarded to the office of the Governor of Guam and to the office of Senator Joe S. San Agustin for review. A majority of GALC inadequacies are due to the unavailability of required resources, specifically personnel and contractual services to address deficiencies as stated in audit findings. GALC Board approved FY2020 Supplemental Budget request, once approved and signed into law, will assist tremendously in the realization of addressing deficiencies in audit findings.

GUAM ANCESTRAL LANDS COMMISSION

Unresolved Prior Audit Findings
Year Ended September 30, 2019

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