

GUAM ANCESTRAL LANDS COMMISSION

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

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

YEARS ENDED SEPTEMBER 30, 2020 AND 2019

GUAM ANCESTRAL LANDS COMMISSION

Years Ended September 30, 2020 and 2019
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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, 2020 and 2019, 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, 2020 and 2019, 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.

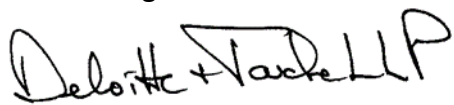
Other Information

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 20 through 23 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 24 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 29, 2021, 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 29, 2021

GUAM ANCESTRAL LANDS COMMISSION

Management's Discussion and Analysis
September 30, 2020 and 2019

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, 2020 and 2019. 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 \$13,875,520 at September 30, 2020 as compared to \$13,469,752 at the end of the prior year.
- Total assets on September 30, 2020 increased by \$520,439 (or 3%) as compared to September 30, 2019.
- Total liabilities and deferred inflows of resources on September 30, 2020 increased by \$114,671 (or 6%) as compared to September 30, 2019.
- Total fund balance on September 30, 2020 increased by \$405,768 (or 3%) as compared to September 30, 2019.
- Total revenues of \$899,484 for the year ended September 30, 2020 decreased by \$5,105,680 (or 85%) as compared to \$6,005,164 for the prior year. Total expenditures of \$493,716 for the year ended September 30, 2020 decreased by \$603,482 (or 55%) as compared to \$1,097,198 for the prior year. This resulted in an increase in the fund balance of \$405,768 for the year ended September 30, 2020 as compared to \$4,907,966 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, 2020 and 2019 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, 2019 is set forth in GALC's report on the audit of financial statements, which is dated May 27, 2020. That Management Discussion and Analysis explains the major factors impacting the 2019 financial statements and may be obtained from the information below.

GUAM ANCESTRAL LANDS COMMISSION

Management's Discussion and Analysis, Continued
September 30, 2020 and 2019

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, 2020 as compared as of September 30, 2019 and 2018.

	2020	2019	Change	Total Percentage Change 2020-2019	2018
Assets:					
Cash and cash equivalents	\$ 6,141,795	\$ 378,552	\$ 5,763,243	1522%	\$ 3,135,820
Time certificates of deposit	7,834,171	8,830,449	(996,278)	(11)%	5,246,913
Receivables, net	1,938,684	6,278,414	(4,339,730)	(69)%	909,084
Prepaid items	93,204	-	93,204	100%	-
Total assets	\$ 16,007,854	\$ 15,487,415	\$ 520,439	3%	\$ 9,291,817
Liabilities:					
Accounts payable	\$ 82,541	\$ 764,383	\$ (681,842)	(89)%	\$ 27,655
Due to GovGuam General Fund	321,302	-	321,302	100%	-
Security deposits payable	77,410	75,310	2,100	3%	75,310
Total liabilities	481,253	839,693	(358,440)	(43)%	102,965
Deferred inflows of resources:					
Deferred revenues	1,651,081	1,177,970	473,111	40%	627,066
Total liabilities and deferred inflows of resources	2,132,334	2,017,663	114,671	6%	730,031
Fund balance:					
Committed	13,875,520	13,469,752	405,768	3%	8,561,786
Total liabilities, deferred inflows of resources and fund balance	\$ 16,007,854	\$ 15,487,415	\$ 520,439	3%	\$ 9,291,817

Total assets increased by \$520,439 (or 3%) in 2020 compared to 2019 primarily due to the increase in cash and cash equivalents offset by the decrease in receivables as a result of collection of the \$4,896,725 receivable in 2020 from AT&T for the Tanguisson Cable Station. This receivable was the result of a settlement claim for the use of GALC owned property from January 1, 2007 to September 30, 2019, which was collected in full in November 2019.

Total liabilities and deferred inflows of resources increased by \$114,671 (or 6%) in 2020 compared to 2019 primarily due to the increase in deferred revenues and payable to the GovGuam General Fund offset by the decrease in accounts payable. The increase in deferred revenues is primarily due to the increase in lease revenues that do not 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. The decrease in accounts payable is primarily due to payment of \$700,232 to the Guam Economic Development Authority (GEDA) for management fees related to the AT&T settlement.

Total fund balance increased by \$405,768 (or 3%) in 2020 compared to 2019 due to the difference between 2020 revenues earned and expenditures incurred compared to 2019.

GUAM ANCESTRAL LANDS COMMISSION

Management's Discussion and Analysis, Continued September 30, 2020 and 2019

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, 2020 as compared with the years ended September 30, 2019 and 2018.

	2020	2019	Change	Total Percentage Change 2020-2019	2018
Revenues:					
Lease rentals	\$ 749,524	\$ 5,698,224	\$ (4,948,700)	(87)%	\$ 729,067
GovGuam appropriation	73,975	221,838	(147,863)	(67)%	91,093
Proceeds from sale of land	-	-	-		2,490,000
Interest income and other	75,985	85,102	(9,117)	(11)%	24,294
Total revenues	899,484	6,005,164	(5,105,680)	(85)%	3,334,454
Expenditures:					
Salaries, wages and benefits	230,339	158,566	71,773	45%	58,444
Contractual services	69,001	48,944	20,057	41%	26,784
Management fees	98,370	857,868	(759,498)	(89)%	105,704
Miscellaneous and other	96,006	31,820	64,186	202%	4,055
Total expenditures	493,716	1,097,198	(603,482)	(55)%	194,987
Net change in fund balance	405,768	4,907,966	(4,502,198)	(92)%	3,139,467
Fund balance:					
Beginning of year	13,469,752	8,561,786	4,907,966	57%	5,422,319
Ending of year	\$ 13,875,520	\$ 13,469,752	\$ 405,768	3%	\$ 8,561,786

Total revenues decreased by \$5,105,680 (or 85%) from \$6,005,164 in 2019 to \$899,484 in 2020. The decrease in revenues for 2020 was primarily due to the decrease in lease rental revenues. Lease rental revenues decreased by \$4,948,700 (or 87%) from \$5,698,224 in 2019 to \$749,524 in 2020 primarily due to the recognition and recording of the \$4,896,725 AT&T settlement claim in 2019. The decrease in GovGuam appropriation is a result of the passage of Public Law 35-36 also known as the Budget Act of FY2020.

Total expenditures decreased by \$603,482 (or 55%) from \$1,097,198 in 2019 to \$493,716 in 2020. The decrease in expenditures for 2020 was primarily due to decrease in management fees offset by an increase in GALC operational costs. Management fees decreased by \$759,498 (or 89%) from \$857,868 in 2019 to \$98,370 in 2020 due to the \$700,232 paid to GEDA associated with the AT&T settlement claim recognized and recorded in FY2019.

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, 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.

GUAM ANCESTRAL LANDS COMMISSION

Management's Discussion and Analysis, Continued
September 30, 2020 and 2019

4. Challenges and Accomplishments, Continued

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, 2020, GALC operated with a board of 7 members and supported by 1 classified and 2 unclassified employees. In 2020, 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 paid the Guam Economic Development Authority (GEDA) \$98,370 in management fees for services provided in 2020.

At year-end September 30, 2020, GALC was unable to finalize the Land Bank Rules and Regulations. As a result, the GALC was unable to compensate original landowners who will not benefit from their return of their lands. Furthermore, the GALC was not able to resolve easement access issues.

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

GUAM ANCESTRAL LANDS COMMISSION

Balance Sheets
September 30, 2020 and 2019

	2020	2019
<u>ASSETS</u>		
Cash and cash equivalents	\$ 6,141,795	\$ 378,552
Time certificates of deposit	7,834,171	8,830,449
Receivables, net	1,938,684	6,278,414
Prepaid items	93,204	-
Total assets	\$ 16,007,854	\$ 15,487,415
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</u>		
Liabilities:		
Accounts payable	\$ 82,541	\$ 764,383
Due to GovGuam General Fund	321,302	-
Security deposits payable	77,410	75,310
Total liabilities	481,253	839,693
Deferred inflows of resources:		
Deferred revenues	1,651,081	1,177,970
Total liabilities and deferred inflows of resources	2,132,334	2,017,663
Commitments and contingency		
Fund balance:		
Committed	13,875,520	13,469,752
Total liabilities, deferred inflows of resources and fund balance	\$ 16,007,854	\$ 15,487,415

See accompanying notes to financial statements.

GUAM ANCESTRAL LANDS COMMISSION

Statements of Revenues, Expenditures, and Changes in Fund Balances
Years Ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Revenues:		
Lease rentals:		
Base rent	\$ 749,420	\$ 5,697,834
Participation rent	104	390
GovGuam appropriation	73,975	221,838
Interest income	75,755	80,902
Other	<u>230</u>	<u>4,200</u>
Total revenues	<u>899,484</u>	<u>6,005,164</u>
Expenditures:		
Salaries and wages - regular	171,209	113,986
Salaries and wages - fringe benefits	42,670	30,081
Health benefits	16,460	14,499
Contractual services	69,001	48,944
Building rent	20,367	-
Supplies	2,180	-
Equipment	27,676	-
Communications	3,715	-
Capital outlay	37,470	-
Management fees	98,370	857,868
Miscellaneous	<u>4,598</u>	<u>31,820</u>
Total expenditures	<u>493,716</u>	<u>1,097,198</u>
Net change in fund balances	405,768	4,907,966
Fund balances at beginning of year	<u>13,469,752</u>	<u>8,561,786</u>
Fund balances at end of year	<u>\$ 13,875,520</u>	<u>\$ 13,469,752</u>

See accompanying notes to financial statements.

GUAM ANCESTRAL LANDS COMMISSION

Notes to Financial Statements
September 30, 2020 and 2019

(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 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, 2020 and 2019

(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, 2020 and 2019, the carrying amount and corresponding bank balances of the GALC's cash and cash equivalents and time certificates of deposit were \$13,975,966 and \$9,209,001, 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, 2020 and 2019, bank deposits in the amount of \$64,331 and \$64,299, 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, 2020 and 2019

(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 monies 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, 2020 and 2019, 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, 2020 and 2019

(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, 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, 91, 92 and 93 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. In accordance with GASB Statement No. 95, management has elected to postpone implementation of these statements.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. 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. 84 will be effective for fiscal year ending September 30, 2021.

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.

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.

GUAM ANCESTRAL LANDS COMMISSION

Notes to Financial Statements
September 30, 2020 and 2019

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

In March 2018, GASB issued Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. 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. 90 will be effective for fiscal year ending September 30, 2021.

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. 93, *Replacement of Interbank Offered Rates*. The primary objective of this statement is to address those and other accounting and financial reporting implications of the replacement of an IBOR. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. Except for paragraphs 11b, 13, and 14, GASB Statement No. 93 will be effective for fiscal year ending September 30, 2021. The requirement in paragraphs 11b, 13, and 14 are effective for fiscal year September 30, 2022.

GUAM ANCESTRAL LANDS COMMISSION

Notes to Financial Statements
September 30, 2020 and 2019

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

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.

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.

Reclassifications

Certain reclassifications have been made to the 2019 financial statements to conform to the 2020 presentation.

(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.

GUAM ANCESTRAL LANDS COMMISSION

Notes to Financial Statements
September 30, 2020 and 2019

(4) Receivables

Receivables as of September 30, 2020 and 2019, including the applicable allowance for uncollectible accounts, are as follows:

	<u>2020</u>	<u>2019</u>
Receivables:		
Lease rental	\$ 1,861,592	\$ 6,065,446
Interest receivable	303,738	198,206
Due from Guam Economic Development Authority (GEDA)	<u>77,410</u>	<u>75,310</u>
	\$ 2,242,740	6,338,962
Less allowance for uncollectible accounts	<u>(304,056)</u>	<u>(60,548)</u>
	<u>\$ 1,938,684</u>	<u>\$ 6,278,414</u>

As of September 30, 2020, lease rental receivables includes \$37,499 due from the GovGuam Department of Public Health and Social Services and \$200,009 due from the Guam Environmental Protection Agency with a corresponding allowance for uncollectible accounts of \$237,508.

(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, 2020 and 2019, security deposits in the amount of \$77,410 and \$75,310, respectively, 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, 2020 and 2019, the GALC recognized certain on-behalf payments as contributions from GovGuam, totaling \$73,975 and \$221,838, 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, 2020 and 2019, GEDA withheld \$98,370 and \$857,868 respectively, of all rents received representing lease management services as discussed in Note 7 of the financial statements. As of September 30, 2020 and 2019, the GALC has recognized a liability of \$82,541 and \$64,151, 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 7 to the financial statements.

During the years ended September 30, 2020 and 2019, certain legal costs of \$43,001 and \$24,444, respectively, were incurred by the GALC covering services from the GovGuam Office of the Attorney General.

GUAM ANCESTRAL LANDS COMMISSION

Notes to Financial Statements
September 30, 2020 and 2019

(6) Related Party Transactions, Continued

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, 2020 and 2019, such land is valued at \$453,106,926 and \$450,181,806, respectively, of which \$8,662,592 and \$6,702,884, respectively, 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.

(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 \$3,113 payable monthly in advance (\$3,911 and \$3,658 as of September 30, 2020 and 2019, 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, 2020 and 2019, the GALC recognized lease base rental revenue of \$46,599 and \$43,782, 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 30th day of each calendar month.

GUAM ANCESTRAL LANDS COMMISSION

Notes to Financial Statements
September 30, 2020 and 2019

(7) Commitments, Continued

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

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, 2020 and 2019, the GALC recognized lease base rental revenue of \$300,000 and \$297,650, respectively, and lease participation rental revenue of \$104 and \$390, 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, 2020 and 2019, the GALC recognized lease base rental revenue of \$1,000 and \$5,000, 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, 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 years ended September 30, 2020 and 2019, the GALC recognized lease base rental revenue of \$50,949 and \$124,926, respectively, and interest income from deferred payments of \$11,965 and \$27,514 for the years ended September 30, 2020 and 2019, associated with this lease respectively.

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, 2020 and 2019, the GALC recognized lease base rental revenue of \$0 and \$223,991, respectively, associated with this license.

GUAM ANCESTRAL LANDS COMMISSION

Notes to Financial Statements
September 30, 2020 and 2019

(7) Commitments, Continued

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, 2020 and 2019, the GALC recognized lease base rental revenue of \$75,600 and \$78,246, respectively, associated with this agreement.

Tanguisson Cable Landing Station:

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 by a tenant 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. In addition, the GALC entered into a new five-year lease agreement with this 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 year ended September 30, 2020, the GALC recognized lease base rental revenue of \$275,272, associated with this agreement.

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

<u>Year Ending September 30,</u>	
2021	\$ 954,783
2022	1,888,272
2023	1,147,097
2024	1,147,528
2025	797,090
2026 - 2030	4,016,553
2031 - 2035	4,219,474
2036 - 2040	3,952,928
2041 - 2045	4,187,133
2046 - 2050	4,444,132
2051 - 2055	4,726,174
2056 - 2060	4,811,706
2061 - 2064	<u>2,312,352</u>
	<u>\$ 38,605,222</u>

GUAM ANCESTRAL LANDS COMMISSION

Notes to Financial Statements
September 30, 2020 and 2019

(7) Commitments, Continued

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, 2020 and 2019, GEDA withheld \$98,370 and \$857,868, respectively, of all rents received as payment for lease management services. As of September 30, 2020 and 2019, the GALC has recognized a liability of \$82,541 and \$64,151, 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, 2020. 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, 2020

	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	\$ 1,455	\$ 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, and Development Fund	-	43,824	-	-	43,824	(43,824)	-
Total assets	<u>\$ 1,455</u>	<u>\$ 10,936,849</u>	<u>\$ 5,023</u>	<u>\$ 5,108,351</u>	<u>\$ 16,051,678</u>	<u>\$ (43,824)</u>	<u>\$ 16,007,854</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</u>							
Liabilities:							
Accounts payable	\$ -	\$ 65,118	\$ -	\$ 17,423	\$ 82,541	\$ -	\$ 82,541
Due to the Survey, Infrastructure, 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
Total liabilities	<u>-</u>	<u>142,528</u>	<u>-</u>	<u>382,549</u>	<u>525,077</u>	<u>(43,824)</u>	<u>481,253</u>
Deferred inflows of resources:							
Deferred revenues	-	1,651,081	-	-	1,651,081	-	1,651,081
Total liabilities and deferred inflows of resources	<u>-</u>	<u>1,793,609</u>	<u>-</u>	<u>382,549</u>	<u>2,176,158</u>	<u>(43,824)</u>	<u>2,132,334</u>
Fund balance:							
Committed	1,455	9,143,240	5,023	4,725,802	13,875,520	-	13,875,520
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 1,455</u>	<u>\$ 10,936,849</u>	<u>\$ 5,023</u>	<u>\$ 5,108,351</u>	<u>\$ 16,051,678</u>	<u>\$ (43,824)</u>	<u>\$ 16,007,854</u>

See Accompanying Independent Auditors' Report.

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, DEFERRED INFLOWS OF RESOURCES 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
Total liabilities	<u>-</u>	<u>150,954</u>	<u>-</u>	<u>703,779</u>	<u>854,733</u>	<u>(15,040)</u>	<u>839,693</u>
Deferred inflows of resources:							
Deferred revenues	-	1,176,970	-	1,000	1,177,970	-	1,177,970
Total liabilities and deferred inflows of resources	<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 liabilities, deferred inflows of resources 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 Statement of Revenues, Expenditures, and
Changes in Fund Balances
Year Ended September 30, 2020

	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	\$ -	\$ 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
Total revenues	73,979	236,997	15	588,493	899,484	-	899,484
Expenditures:							
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
Total expenditures	74,020	15,966	-	403,730	493,716	-	493,716
Excess (deficiency) of revenues over (under) expenditures	(41)	221,031	15	184,763	405,768	-	405,768
Other financing sources (uses):							
Transfer in from other funds	-	-	5	-	5	(5)	-
Transfer out to other funds	-	-	-	(5)	(5)	5	-
Other financing sources (uses), net	-	-	5	(5)	-	-	-
Net change in fund balances	(41)	221,031	20	184,758	405,768	-	405,768
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

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	221,843	583,010	16	5,200,295	6,005,164	-	6,005,164
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	225,662	129,423	-	742,113	1,097,198	-	1,097,198
Excess (deficiency) of revenues over (under) expenditures	(3,819)	453,587	16	4,458,182	4,907,966	-	4,907,966
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	2,500	4,282	(2,500)	(4,282)	-	-	-
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	\$ 1,496	\$ 8,922,209	\$ 5,003	\$ 4,541,044	\$ 13,469,752	\$ -	\$ 13,469,752

See Accompanying Independent Auditors' Report.

GUAM ANCESTRAL LANDS COMMISSION

Supplemental Schedule of Employees and Salaries
Years Ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Salaries and wages - regular	\$ <u>171,209</u>	\$ <u>113,986</u>
Number of employees:		
Executive Director	1	1
Land Agents	1	2
Other administrative staff	<u>1</u>	<u>-</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, 2020, 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 29, 2021.

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

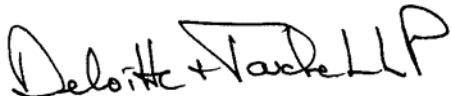
As part of obtaining reasonable assurance about whether the GALC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 2020-001.

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 29, 2021

GUAM ANCESTRAL LANDS COMMISSION

Schedule of Findings and Responses Year Ended September 30, 2020

Finding No. 2020-001

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, 2020, the GALC received \$4,896,725 under a settlement agreement with AT&T Corporation for past use of the Tanguisson Cable Landing Station property, land conveyed by the United States federal government via a quit claim deed to the Government of Guam in 2002 and subsequently transferred to the GALC. The proceeds from this settlement agreement, net of \$700,232 in management fees, were recorded 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. In addition, the GALC has recognized current year lease revenues associated with the Tanguisson property of \$275,272, net of \$39,364 in management fees, in the Survey, Infrastructure and Development Fund.

Effect: The effect of the above condition is potential noncompliance with Public Law 34-108.

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.

Auditee Response and Corrective Action Plan:

On March 24, 2021, the Guam Ancestral Lands Commission Board of Commissioners at their regularly scheduled meeting discussed the issue identified in the Combining Balance Sheet for year ended September 30, 2020 and approved a motion to transfer a total of Forty-three Thousand Eight Hundred Twenty-four Dollars (\$43,824) in the Trust for Guam Ancestral Lands Commission from the Survey, Infrastructure, and Development Fund (Account 0102) to the Land Bank Trust Fund (Account 0100).

At the same meeting, the GALC Board of Commissioners discussed and approved a motion to disagree with Audit Finding No. 2020-001 and directed GALC Legal Counsel to prepare the Commission's response.

On March 26, 2021, GALC Chairman Ronald Eclavea met and discussed Audit Finding No. 2020-001 with GALC Legislative Oversight Chair, Speaker Therese M. Terlaje. The meeting resulted in an agreement to resolve the disagreement with the audit finding through the legislative process. Chairman Eclavea agreed to call a Special Meeting of the GALC Board of Commissioners to reverse their motion to disagree with Audit Finding 2020-001 and to transfer the funds identified by the audit finding in the Trust for Guam Ancestral Lands Commission from the Survey, Infrastructure, and Development Fund (Account 0102) to the Land Bank Trust Fund (Account 0100).

GUAM ANCESTRAL LANDS COMMISSION

Unresolved Prior Audit Findings
Year Ended September 30, 2020

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