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1 message

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05-31-20	11:17 AM	05-31-20	Guam Ancestral Lands Commission FY 2019 Financial Highlights.*	Office of Public Accountability

Sinseru yan Minagåhet,

Office of the Speaker • Tina Rose Muña Barnes
Committee on Public Accountability, Human Resources & the Guam Buildup

35th Guam Legislature
I Mina'trentai Singko na Liheslaturan Guåhan

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---------- Forwarded message ---------
From: **Andriana Quitugua** <aquitugua@guamopa.com>
Date: Sun, May 31, 2020 at 11:17 AM
Subject: Guam Ancestral Lands Commission FY 2019 Financial Audit Reports
To: Benjamin Cruz <bjcruz@guamopa.com>
Cc: Thyrza Bagana <tbagana@guamopa.com>

Hafa Adai,

Transmitted electronically are the Guam Ancestral Lands Commission FY 2019 Financial Highlights, Financial Statements and Report on Compliance and Internal Control, Management Letter, and Lette Governance. These reports may also be found at http://www.opaguam.org.

Best Regards,

Andriana U.C. Quitugua, CFE
Auditor
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Guam Ancestral Lands Commission – FY 2019 Financial Highlights

May 31, 2020

Hagåtña, Guam – The Office of Public Accountability has released the Guam Ancestral Lands Commission's (GALC) fiscal year (FY) 2019 financial statements, report on compliance and internal controls, management letter, and auditor's communication with those charged with governance. Independent auditors Deloitte and Touche, LLP issued an unmodified "clean" opinion on GALC's financial statements. GALC closed FY 2019 with a significant increase of $4.9 million (M) (56%) in fund balance (net income), which increased by $1.8M from FY 2018's net income of $3.1M.

For FY 2019, the independent auditors identified one material weakness in internal control over financial reporting and issued a separate management letter with one repeat comment.

Revenues Increased by $2.7M

GALC's FY 2019 revenues of $6M increased by $2.7M (80%), from $3.3M in FY 2018. This was due to the $5M increase (682%) in base lease rental resulting from the settlement agreement with the American Telephone & Telegraph (AT&T). The $5M increase was, however, offset by the $2.5M proceeds from the sale of land recognized in FY 2018. GALC derived its rental revenues from its six lease agreements with a one to a 50-year term with private and government entities.

In October 2019, GALC entered into an agreement with AT&T for a consideration of $4.9M to settle a claim for the use of the Tanguisson Cable Station land from January 1, 2007 to September 30, 3019. AT&T paid the full amount in November 2019.

Expenditures Increased by $902K

Total expenditures increased by $902 thousand (K), from $195K in FY 2018 to $1.1M in FY 2019. This was due mainly to the increase of $752K (712%) in management fees, incurred by GALC for the Guam Development Economic Authority's (GEDA) services. GEDA's increased fees pertained to AT&T's lease payments of $4.9M. In the 2006 Memorandum of Agreement, GEDA retains a certain percentage of the rent collected as payment for lease management services. The GALC management will reevaluate GEDA's role relative to its property management services on GALC leased properties. An increase in salaries by $100K also accounted for the increase in the entity's expenditures.

Conveyance of Land Titles

GALC was created through Public Law 25-45 to serve as a conduit for conveying returned federal excess lands to their original landowners. In October 2011, GALC was merged with the Department of Land Management (DLM) and Chamorro Land Trust Commission (CLTC). However, per Executive Order 2019-01, issued in January 2019, it was re-established as a separate agency from DLM, with its Administrative Director.

Doc. No. 35GL-20-1841.*

Land Valuation
The total investment in land and other real estates at the government-wide level was valued at $450.2M as of FY 2019, a decrease of $8.6M, which is associated with CLTC. Of the $450.2M, GALC's land inventory is valued at $6.7M, which remain the same for FY 2019 since there was no lease executed during the year.

Land Bank Rules and Regulations
GALC assumed the role of a Claims Facilitator to assist ancestral landowners to exercise the rights in the properties they owned. GALC acts as a developer of the lands and generates lease rental income, which will be used to provide just compensation to dispossessed landowners whose properties cannot be returned. GALC has been unable to perform some necessary activities due to the lack of staff and committed funding sources.

In FY 2019, GALC was unable to finalize the Land Bank Rules and Regulations (LBRR). The Office of the Attorney General (OAG) determined that the LBRR could not assess the distribution method without legislation to establish "just compensation" to those dispossessed landowners. The Commission and Executive Director will continue to dialogue with the Guam Legislature to address the concerns of the OAG relative to the LBRR.

Report on Internal Control and Compliance and Management Letter
In FY 2019, the independent auditors identified one material weakness pertaining to incomplete recording and untimely reconciliation of general ledger balances against the subsidiary ledgers. These weaknesses resulted in misstatements of general ledger account balances, which were corrected during the audit process. Specifically:

- Untimely bank reconciliations and incomplete recording of collections;
- Undeposited cash balance of $175K;
- Receivables, deferred revenues, lease revenues, and management fees not updated; and
- Operational expenditures and government appropriations not reported in the financial statements.

The auditors recommended the implementation of adequate internal control policies and procedures to facilitate timely reconciliation and review and ensure complete financial reporting. GALC management concurred that its internal controls are not in place and adopted some measures to address these deficiencies.

A separate letter issued to management cited a repeat recommendation to follow up with a lessee on the remaining $5,000 security deposit and verify the completeness of recording of lease security deposits.

Audit Adjustments Increased Fund Balance by $4.1M
GALC recorded four audit adjustments that increased its fund balance (net income) by $4.1M. There were no uncorrected misstatements.

For more details, see the Management's Discussion and Analysis in the audit report. These reports may be downloaded at www.galc.guam.gov or www.opaguam.org

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.

Deloitte.

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.

Deloitte & Touche LLP

May 27, 2020

INTRODUCTION

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

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	6,278,414	909,084	591%	416,041
Total assets	**15,487,415**	**9,291,817**	**67%**	**5,742,673**
Accounts payable	764,383	27,655	2664%	13,706
Security deposits payable	75,310	75,310	0%	75,310
Unearned revenue	1,177,970	627,066	88%	231,338
Total liabilities	**2,017,663**	**730,031**	**176%**	**320,354**
Fund balance:				
Committed	13,469,752	8,561,786	57%	5,422,319
Total fund balance	**$ 13,469,752**	**$ 8,561,786**	**57%**	**$ 5,422,319**

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.

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.

	2019	2018	Total Percentage Change 2019-2018	2017
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	85,102	24,294	250%	261,458
Total revenues	**6,005,164**	**3,334,454**	**80%**	**1,059,946**
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	31,820	4,055	685%	17,331
Total expenditures	**1,097,198**	**194,987**	**463%**	**198,160**
Change in fund balance	4,907,966	3,139,467	56%	861,786
Fund balance - beginning	**8,561,786**	**5,422,319**	**58%**	**4,560,533**
Fund balance - ending	**$ 13,469,752**	**$ 8,561,786**	**57%**	**$ 5,422,319**

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.

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
ASSETS		
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
LIABILITIES AND FUND BALANCE		
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

	2019	2018
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	4,200	2,055
Total revenues	6,005,164	3,334,454
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	31,820	4,055
Total expenditures	1,097,198	194,987
Net change in fund balances	4,907,966	3,139,467
Fund balances at beginning of year	8,561,786	5,422,319
Fund balances at end of year	$ 13,469,752	$ 8,561,786

See accompanying notes to financial statements.

(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.

(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.

(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.

(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.

(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:

	2019	2018
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)	75,310	75,310
	6,338,962	1,196,632
Less allowance for uncollectible accounts	(60,548)	(287,548)
	$ 6,278,414	$ 909,084

(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.

(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.

(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.

(7) Commitments, Continued

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

Year Ending September 30,	
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	3,186,954
	$ 38,288,871

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
ASSETS							
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	$ 1,496	$ 10,250,133	$ 5,003	$ 5,245,823	$ 15,502,455	$ (15,040)	$ 15,487,415
LIABILITIES AND FUND BALANCE							
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	-	1,327,924	-	704,779	2,032,703	(15,040)	2,017,663
Fund balance:							
Committed	1,496	8,922,209	5,003	4,541,044	13,469,752	-	13,469,752
Total fund balance	1,496	8,922,209	5,003	4,541,044	13,469,752	-	13,469,752
Total liabilities and fund balance	$ 1,496	$ 10,250,133	$ 5,003	$ 5,245,823	$ 15,502,455	$ (15,040)	$ 15,487,415

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
ASSETS							
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	$ 2,815	$ 9,132,413	$ 7,487	$ 186,049	$ 9,328,764	$ (36,947)	$ 9,291,817
LIABILITIES AND FUND BALANCE							
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	$ 2,815	$ 9,132,413	$ 7,487	$ 186,049	$ 9,328,764	$ (36,947)	$ 9,291,817

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

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
Total revenues	91,096	3,141,806	28	101,524	3,334,454
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
Total expenditures	89,283	91,324	-	14,380	194,987
Net change in fund balances	1,813	3,050,482	28	87,144	3,139,467
Fund balances at beginning of year	1,002	5,413,858	7,459	-	5,422,319
Fund balances at end of year	$ 2,815	$ 8,464,340	$ 7,487	$ 87,144	$ 8,561,786

See Accompanying Independent Auditors' Report.

GUAM ANCESTRAL LANDS COMMISSION

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

	2019	2018
Salaries and wages - regular	$ 113,986	$ 39,944
Number of employees:		
Executive Director	1	-
Land Agents	2	1
Total number of employees	3	1

See Accompanying Independent Auditors' Report.

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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*.

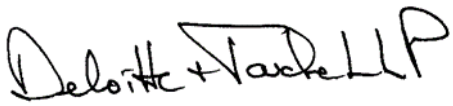
Deloitte.

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.



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.

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May 27, 2020

Mr. Joseph Angoco
Executive Director
Guam Ancestral Lands Commission
P.O. Box 2950
Hagatna, GU 96932

Dear Mr. Angoco:

In planning and performing our audit of the financial statements of the Guam Ancestral Lands Commission (GALC) as of and for the year ended September 30, 2019 (on which we have issued our report dated May 27, 2020), 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, we considered the GALC's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the GALC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the GALC's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting. However, in connection with our audit, we identified, and included in the attached Appendix I, other matters related to the GALC's internal control over financial reporting as of September 30, 2019, that we wish to bring to your attention.

We have also issued a separate report to the Board of Commissioners, also 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 definition of a deficiency is also set forth in the attached Appendix I.

A description of the responsibility of management for establishing and maintaining internal control over financial reporting and of the objectives of and inherent limitations of internal control over financial reporting, is set forth in the attached Appendix II and should be read in conjunction with this report.

This report is intended solely for the information and use of the Office of the Public Accountability - Guam, management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

We will be pleased to discuss the attached comments with you and, if desired, to assist you in implementing any of the suggestions.

We wish to thank the staff and management of the GALC for their cooperation and assistance during the course of this engagement.

Very truly yours,

Deloitte & Touche LLP

SECTION I – OTHER MATTERS

Our observations concerning other matters related to operations and best practices involving internal control over financial reporting that we wish to bring to your attention are as follows:

(1) Security Deposit

On February 22, 2013, the GALC with the Guam Economic Development Authority (GEDA) as the GALC's agent, entered into a Memorandum of Understanding for the lease of Land Bank Trust property known as Wettengel Junction. The MOU required a $10,000 earnest deposit, of which 50% was to be retained by the GALC and the remaining $5,000 is considered a down payment for the security deposit upon entering into a lease.

On December 20, 2013, the GALC entered into a lease for Wettengel Junction, which required a security deposit of $27,197. A payment of $17,197 was received from the lessee and, together with the $5,000 down payment, the recorded security deposit amounted to $22,197.

We recommend the GALC, through GEDA, require compliance with the MOU and the lease and follow up with the lessee as to the remaining $5,000 security deposit. In addition, we recommend that management verify the completeness of recording of lease security deposits.

SECTION II – DEFINITION

The definition of a deficiency is as follows:

A *deficiency* 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 deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when (a) a properly designed control does not operate as designed, or (b) the person performing the control does not possess the necessary authority or competence to perform the control effectively.

MANAGEMENT'S RESPONSIBILITY FOR, AND THE OBJECTIVES AND LIMITATIONS OF, INTERNAL CONTROL OVER FINANCIAL REPORTING

The following comments concerning management's responsibility for internal control over financial reporting and the objectives and inherent limitations of internal control over financial reporting are adapted from auditing standards generally accepted in the United States of America.

Management's Responsibility

The GALC's management is responsible for the overall accuracy of the financial statements and their conformity with generally accepted accounting principles. In this regard, management is also responsible for establishing and maintaining effective internal control over financial reporting.

Objectives of Internal Control over Financial Reporting

Internal control over financial reporting is a process affected by those charged with governance, management, and other personnel and designed to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. Internal control over the safeguarding of assets against unauthorized acquisition, use, or disposition may include controls related to financial reporting and operations objectives. Generally, controls that are relevant to an audit of financial statements are those that pertain to the entity's objective of reliable financial reporting (i.e., the preparation of reliable financial statements that are fairly presented in conformity with generally accepted accounting principles).

Inherent Limitations of Internal Control over Financial Reporting

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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May 27, 2020

Board of Commissioners
Guam Ancestral Lands Commission

Dear Members of the Board of Commissioners:

We have performed an audit of the financial statements of the Guam Ancestral Lands Commission (the "Commission") as of and for the year ended September 30, 2019, in accordance with auditing standards generally accepted in the United States of America ("generally accepted auditing standards") and have issued our report thereon dated May 27, 2020.

We have prepared the following comments to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process for which management of the Commission is responsible.

This report is intended solely for the information and use of management, the Board of Commissioners, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Deloitte & Touche LLP

Cc: To Management of the Guam Ancestral Lands Commission

Deloitte.

OUR RESPONSIBILITY UNDER GENERALLY ACCEPTED AUDITING STANDARDS AND GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

Our responsibility under generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, has been described in our engagement letter dated August 14, 2019. As described in that letter, the objective of a financial statement audit conducted in accordance with the aforementioned standards is:

- To express an opinion on the fairness of the Commission's financial statements and the accompanying supplementary information, and to disclaim an opinion on the required supplementary information for the year ended September 30, 2019, in conformity with accounting principles generally accepted in the United States of America ("generally accepted accounting principles"), in all material respects;

- To express an opinion on whether the supplementary information that accompanies the financial statements is presented fairly, in all material respects, in relation to the financial statements taken as a whole; and

- To report on the Commission's internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the year ended September 30, 2019, based on an audit of financial statements performed in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*.

Our responsibilities under generally accepted auditing standards include forming and expressing an opinion about whether the financial statements that have been prepared with the oversight of management and the Board of Commissioners are presented fairly, in all material respects, in conformity with generally accepted accounting principles. The audit of the financial statements does not relieve management or the Board of Commissioners of their responsibilities.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether caused by fraud or error. In making those risk assessments, we considered internal control over financial reporting relevant to the Commission's preparation and fair presentation of the financial statements in order to design audit procedures that were appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting. Our consideration of internal control over financial reporting was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

ACCOUNTING ESTIMATES

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are ordinarily based on knowledge and experience about past and current events and on assumptions about future events. Significant accounting estimates reflected in the Commission's 2019 financial statements include management's estimate of the allowance for uncollectible accounts, which is determined based upon past collection experience and aging of the accounts. During the year ended September 30, 2019, we are not aware of any significant changes in accounting estimates or in management's judgments relating to such estimates.

MATERIAL CORRECTED MISSTATEMENTS

Our audit of the financial statements was designed to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. Material misstatements were brought to the attention of management as a result of our audit procedures and were corrected by management during the current period. We have attached to this letter, as Attachment I, a summary of misstatements corrected by management.

Deloitte.

SIGNIFICANT ACCOUNTING POLICIES

The Commission's significant accounting policies are set forth in Note 2 to the Commission's 2019 financial statements. During the year ended September 30, 2019, there were no significant changes in previously adopted accounting policies or their application, except for the following pronouncements adopted by the Commission:

- 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 pronouncements did not have a material effect on the financial statements of the Commission.

We have evaluated the significant qualitative aspects of the GALC's accounting practices, including accounting policies, accounting estimates and financial statement disclosures and concluded that the policies are appropriate, adequately disclosed, and consistently applied by management.

DISAGREEMENTS WITH MANAGEMENT

We have not had any disagreements with management related to matters that are material to the Commission's 2019 financial statements.

OUR VIEWS ABOUT SIGNIFICANT MATTERS THAT WERE THE SUBJECT OF CONSULTATION WITH OTHER ACCOUNTANTS

We are not aware of any consultations that management may have had with other accountants about auditing and accounting matters during 2019.

SIGNIFICANT FINDINGS OR ISSUES DISCUSSED, OR SUBJECT OF CORRESPONDENCE, WITH MANAGEMENT PRIOR TO OUR RETENTION

Throughout the year, routine discussions were held, or were the subject of correspondence, with management regarding the application of accounting principles or auditing standards in connection with transactions that have occurred, transactions that are contemplated, or reassessment of current circumstances. In our judgment, such discussions or correspondence were not held in connection with our retention as auditors.

OTHER SIGNIFICANT FINDINGS OR ISSUES ARISING FROM THE AUDIT DISCUSSED, OR SUBJECT OF CORRESPONDENCE, WITH MANAGEMENT

Throughout the year, routine discussions were held, or were the subject of correspondence, with management. In our judgment, such discussions or correspondence did not involve significant issues requiring communication to the Board of Commissioners.

SIGNIFICANT DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

In our judgment, we received the full cooperation of the Commission's management and staff and had unrestricted access to the Commission's senior management in the performance of our audit.

MANAGEMENT'S REPRESENTATIONS

We have made specific inquiries of the Commission's management about the representations embodied in the financial statements. Additionally, we have requested that management provide to us the written representations the Commission is required to provide to its independent auditors under generally accepted auditing standards. We have attached to this letter, as Attachment II, a copy of the representation letter we obtained from management.

Deloitte.

EMPHASIS-OF-MATTER PARAGRAPH

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

CONTROL-RELATED MATTERS

We have issued a separate report to you, also dated May 27, 2020, wherein no matters involving the Commission's internal control over financial reporting that we consider to be material weaknesses or significant deficiencies under standards established by the American Institute of Certified Public Accountants, and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters were reported.

We have communicated to management, in a separate letter also dated May 27, 2020, certain deficiencies and other matters related to the Commission's internal control over financial reporting.

* * * * * *

GALC
Summary of Corrected Misstatements
September 30, 2019

GL Code	Name	Debit	Credit
OPERATIONS FUND			
	1 AJE To recognize operating expenditures		
8100	Salaries and Wages - Regular	113,985.60	
8101	Salaries and Wages - Fringe	44,579.96	
8103	Contractual Services	48,944.16	
8112	Miscellaneous Expenditures	14,328.54	
8002	General Fund Appropriation		221,838.26
1004	Coast360 Checking #0200	545.83	
8003	Interest Income		4.83
8112	Miscellaneous Expenditures	1,959.00	
8200	Transfer in		2,500.00
8112	Miscellaneous Expenditures	1,864.62	
1200	Interfund Receivable		1,864.62
	To recognize appropriations and transfer in for FY2019.	226,207.71	226,207.71
LAND BANK TRUST FUND			
	1 AJE To adjust account balances		
1001	BOH GALC Trust Acct. #217		13,731.14
1004	C360 LB Savings #0100	153,953.33	
1004DT.4	C360 TCD Jumbo #0405	22,629.32	
1100	Accounts Receivable	141,462.92	
1101	Accounts Receivable:Allowance for Doubtful Accou	224,000.00	
1102	Accrued Interest Receivable	108,417.14	
1104DT	Due from SID Fund	21,906.92	
2200	Deferred Revenue		644,501.39
8000	Base Rent	29,722.72	
8003	Interest Income		44,323.43
8110	GEDA Management Fees	59,704.95	
8002DT	Interest on deferred lease dues		27,514.30
8004	Other Revenue		3,856.73
8200	Transfer in		4,282.02
8115DT	Miscellaneous Expenditures	13,668.46	
2400	Due to GEDA		37,256.75
	To adjust account balances.	775,465.76	775,465.76

GALC
Summary of Corrected Misstatements
September 30, 2019

GL Code	Name	Debit	Credit
LANDONWERS RECOVERY FUND			
	1 AJE To adjust account balances		
8300	Transfer out	2,500.00	
1004	Coast360 Savings #0101		2,483.42
8003	Interest Income		16.58
	To adjust account balances.	2,500.00	2,500.00
SURVEY, INFRASTRUCTURE & DEVEOPENT FUND			
	1 AJE To adjust account balances		
1004	C360 SID Savings #0102	158,200.32	
1100	Accounts Receivable	4,793,703.79	
1102	Undeposited Funds		175,528.54
1200	Interfund receivable		43,628.80
2100	Interfund payable	6,682.18	
2200	Deferred Revenue	93,596.92	
8000	Base Rent		4,874,010.40
8003	Interest Income		467.86
8001	Participation Rent	254.80	
8001.1	Participation Rent - Matson		390.00
8201DT	Transfer out	4,282.02	
8110	GEDA Management Fees	721,736.34	
1104DT	Due to Land Bank Trust Fund - Kwisapce		28,589.10
1103DT	Due from Land Bank Trust Fund	43,628.80	
2400	Due to GEDA		699,470.47
	To adjust account balances.	5,822,085.17	5,822,085.17

SIGNED:

JOSEPH ANGOCO - GALC EXECUTIVE DIRECTOR

SIGNED:

JOSEPH B. CRUZ - PROGRAM COORDINATOR
Chamoru Land Trust Commission

ATTACHMENT II

BOARD OF COMMISSIONERS

Anthony J.P. Ada
Chairperson

Ronald T. Laguana
Vice Chair

Maria G. Cruz
Secretary/Treasurer

Ronald F. Eclavea
Commissioner

Anita F. Orlino
Commissioner

Angela M. Camacho
Commissioner

Louisa F. Wessling
Commissioner

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Facsimile:
671-649-5383

LOURDES A. LEON GUERRERO
Maga'haga • Governor

JOSHUA F. TENORIO
Sigundo Maga'lahi • Lieutenant Governor

KUMISION I TÅNO' SAINA-TA
(Guahan Ancestral Lands Commission)

JOSEPH S. ANGOCO
Executive Director

May 27, 2020

Deloitte & Touche LLP
361 South Marine Corps Drive
Tamuning GU, 96913

We are providing this letter in connection with your audits of the balance sheets of the Guam Ancestral Land Commission (GALC), a governmental fund of the Government of Guam (GovGuam), as of September 30, 2019 and 2018, and the related statements of revenues, expenditures, and changes in fund balance for the years then ended, for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position and results of operations of the GALC in accordance with accounting principles generally accepted in the United States of America (GAAP).

We confirm that we are responsible for the following:

a. The preparation and fair presentation in the financial statements of financial position of the GALC in accordance with GAAP.

b. 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

   - To prevent and detect fraud.

c. The review and approval of the financial statements and related notes and acknowledge your role in the preparation of this information. Specifically, we acknowledge that your role in the preparation of the financial statements was a matter of convenience rather than one of necessity. We have reviewed the financial statement preparation assistance provided by you and acknowledge that the financial statements are prepared in accordance with GAAP. Our review was based on the use of the financial statement disclosure checklist for stand-alone business-type activities obtained from the Government Finance Officers Association.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audits.

1. The financial statements referred to above are fairly presented in accordance with GAAP. In addition:

   a. The GALC does not have an equity interest in joint ventures or an interest in any other joint ventures and other related organizations. Such financial statements present only the GALC and are not intended to present fairly the financial position and results of operations of GovGuam in accordance with GAAP.

   b. Deposits are properly classified in the category of custodial credit risk.

   c. Interfund, internal, and intra-government activity and balances have been appropriately classified and reported.

   d. Required supplementary information is measured and presented within prescribed guidelines.

   e. Applicable laws and regulations are followed in adopting, approving, and amending budgets.

   f. The GALC has followed GASB Codification of Government Accounting and Financial Reporting Standards ("GASB Codification") Section 1800.178 regarding which resources (restricted, committed, assigned, or unassigned) are considered to be spent for expenditures to determine the fund balance classifications for financial reporting purposes.

   g. Fund balance restrictions, commitments, and assignments are properly classified and, if applicable, approved.

   h. Other supplementary information is measured and presented within prescribed guidelines.

2. The GALC has provided to you all relevant information and access as agreed in the terms of the audit engagement letter.

3. The GALC has made available to you:

   a. All minutes of meetings of the Board of Commissioners or summaries of actions of recent meetings for which minutes have not yet been prepared. For those minutes of meetings or summaries of actions of recent meetings that have not been prepared and made available to you, no matters were discussed in these meetings that would require adjust to, or disclosure in, the financial statements.

   b. All financial records and related data for all financial transactions of the GALC and for all funds administered by the GALC. The records, books, and accounts, as provided to you, record the financial and fiscal operations of all funds administered by the GALC and provide the audit trail to be used in a review of accountability. Information presented in financial reports is supported by the books and records from which the financial statements have been prepared.

   c. Contracts and grant agreements (including amendments, if any) and any other correspondence that has taken place with federal agencies.

4. There has been no:

   a. Action taken by the GALC management that contravenes the provisions of federal laws and Guam laws and regulations, or of contracts and grants applicable to the GALC.

   b. Communication from other regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices or other matters that could have a material effect on the financial statements.

5. The GALC has not performed a formal risk assessment, including the assessment of the risk that the financial statements may be materially misstated as a result of fraud. However, management has made available to you their understanding about the risks of fraud in the GALC and do not believe that the financial statements are materially misstated as a result of fraud.

6. We have no knowledge of any fraud or suspected fraud affecting the GALC involving:

   a. Management.

   b. Employees who have significant roles in the GALC's internal control.

   c. Others, where the fraud could have a material effect on the financial statements.

7. We have no knowledge of any allegations of fraud or suspected fraud affecting the GALC's financial statements communicated by employees, former employees, analysts, regulators, or others.

8. There are no unasserted claims or assessments that legal counsel has advised us are probable of assertion and must be disclosed in accordance with GASB Codification Section C50, *Claims and Judgments* except as disclosed in note 8 to the financial statements.

9. Significant assumptions used by us in making accounting estimates are reasonable.

10. Management has identified and disclosed to you all laws and regulations that have a direct and material effect on the determination of financial statement amounts.

11. No organizations were identified that meet the criteria established in GASB Codification Section 2100, *Defining the Financial Reporting Entity*.

Except where otherwise stated below, matters less than $6,500 collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to, or disclosure in, the basic financial statements.

12. There are no transactions that have not been properly recorded and reflected in the financial statements.

13. The GALC has no plans or intentions that may affect the carrying value or classification of assets and liabilities.

14. Regarding related parties:

    a. We have disclosed to you the identity of the GALC's related parties and all the related party relationships and transactions of which we are aware.

    b. To the extent applicable, related parties and all the related-party relationships and transactions, including sales, purchases, loans, transfers, leasing arrangements, and guarantees (written or oral) have been appropriately identified, properly accounted for, and disclosed in the financial statements.

15. In preparing the financial statements in accordance with GAAP, management uses estimates. All estimates have been disclosed in the financial statements for which known information available prior to the issuance of the financial statements indicates that both of the following criteria are met:

    a. It is at least reasonably possible that the estimate of the effect on the financial statements of a condition, situation, or set of circumstances that existed at the date of the financial statements will change in the near term due to one or more future confirming events

    b. The effect of the change would be material to the financial statements.

16. Risks associated with concentrations, based on information known to management, that meet all of the following criteria have been disclosed in the financial statements:

    a. The concentration exists at the date of the financial statements

    b. The concentration makes the enterprise vulnerable to the risk of a near-term severe impact

    c. It is at least reasonably possible that the events that could cause the severe impact will occur in the near term.

17. There are no:

    a. Instances of identified or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements

    b. Known actual or possible litigation and claims whose effects should be considered when preparing the financial statements that have not been disclosed to you and accounted for and disclosed in accordance with GAAP.

    c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by Section C50, *Claims and Judgments*, except as disclosed in note 8 to the financial statements.

18. The GALC has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

19. The GALC has complied with all aspects of contractual agreements that may have an effect on the financial statements in the event of noncompliance.

20. No department or agency of the GALC has reported a material instance of noncompliance to us.

21. The GALC has identified all derivative instruments as defined by GASB Codification Section D40, *Derivative Instruments*, and appropriately recorded and disclosed such derivatives in accordance with GASB Codification Section D40.

22. No evidence of fraud, possible irregularities, or dishonesty in fiscal operations of programs administered by the GALC has been discovered.

23. Except as disclosed in note 9 to the financial statements, no events have occurred after September 30, 2019, but before the date of this letter, the date the financial statements were available to be issued that require consideration as adjustments to or disclosures in the financial statements.

24. Regarding required supplementary information:

    a. We confirm that we are responsible for the required supplementary information.

    b. The required supplementary information is measured and presented in accordance with GASB Codification Section 2200, *Comprehensive Annual Financial Report*.

25. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period.

26. Regarding supplementary information:

    a. We are responsible for the preparation and fair presentation of the supplementary information in accordance with GASB Codification Section 2200, *Comprehensive Annual Financial Report*.

    b. We believe the supplementary information, including its form and content, is fairly presented in accordance with GASB Codification Section 2200, *Comprehensive Annual Financial Report*.

    c. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period.

27. Receivables recorded in the financial statements represent valid claims against debtors for sales or other charges arising on or before the balance-sheet date and have been appropriately reduced to their estimated net realizable value.

28. 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 financial statements of the GALC.

29. 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.

30. 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.

31. 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.

32. 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.

33. 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.

34. 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.

35. 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. The GALC has elected to purchase commercial insurance from independent third parties for the risks of loss to which it is exposed. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

36. The GALC management has acknowledged and identified the financial impact of the COVID-19 pandemic on the GALC's financial position. The GALC management, based on its reasonable assessment, determined that the COVID-19 pandemic may not significantly impact financial position and, as a result, not warrant additional adjustment to or disclosure in the financial statements for the year ended September 30, 2019.

Very truly yours,

Signed: _____
Joseph Angoco
Title: Executive Director

Signed: _____
Joseph B. Cruz, Jr.
Title: Program Coordinator III, CHamoru Land Trust Commission