clerks@guamlegislature.org

From: Committee on Rules 36GL <cor@guamlegislature.org>
Sent: Wednesday, April 6, 2022 11:35 AM
To: Clerks; Rennae Meno
Cc: Speaker Therese M. Terlaje
Subject: Messages and Communications for Doc. No. 36GL-22-1846*
Attachments: 36GL-22-1846.pdf

Håfa Adai Clerks,

Please see attached M&C Doc. No. 36GL-22-1846 for processing:

36GL-22-1846	Guam Ancestral Lands Commission FY 2021 Financial Audit Reports*	Office of Public Accountability - Guam Office of Public Accountability

Si Yu'os Ma'åse',

COMMITTEE ON RULES
Vice Speaker Tina Rose Muña Barnes
36th Guam Legislature
I Mina'trentai Sais Na Liheslaturan Guåhan
163 Chalan Santo Papa Hågatña Guam 96910
Email: cor@guamlegislature.org

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From: **Speaker Therese M. Terlaje** <speaker@guamlegislature.org>
Date: Wed, Apr 6, 2022 at 10:53 AM
Subject: Messages and Communications for 36GL-22-1846
To: Legislative Secretary Amanda Shelton <officeofsenatorshelton@guamlegislature.org>, Committee on Rules 36GL <cor@guamlegislature.org>

Håfa Adai,

Please see attached M&C Doc. No. 36GL-22-1846*

36GL-22-1846	Guam Ancestral Lands Commission FY 2021 Financial Audit Reports*	Office of Public Accountability - Guam

Si Yu'os Ma'åse',

Marie Cruz
Community Relations Liaison

Office of Speaker Therese M. Terlaje
Committee on Health, Land, Justice and Culture
I Mina'trentai Sais na Liheslaturan Guåhan
36th Guam Legislature
Guam Congress Building, 163 Chalan Santo Papa, Hagåtña, Guam 96910
T: (671) 472-3586 F: (671) 989-3590 Email: senatorterlajeguam@gmail.com
website: www.senatorterlaje.com

---------- Forwarded message ---------
From: **Office of Public Accountability** <info@guamopa.com>
Date: Wed, Apr 6, 2022 at 8:30 AM
Subject: Transmittal: GALC FY 2021 Financial Audit Reports
To: Benjamin Cruz <bjcruz@guamopa.com>, Thomas Eladio Battung <tbattung@guamopa.com>, Selina Onedera-Salas <sonederasalas@guamopa.com>

Hafa Adai,

Transmitted herewith are the OPA Financial Highlights of the **Audited GALC FY 2021 Financial Statements and Report on Compliance and Internal Controls; Management Letter; and Auditor's Communication with Those Charged with Governance**.

These reports are available for review and download at www.opaguam.org.

Si Yu'os ma'åse'

Speaker Therese M. Terlaje <speaker@guamlegislature.org>

Transmittal: GALC FY 2021 Financial Audit Reports

Office of Public Accountability <info@guamopa.com> Wed, Apr 6, 2022 at 8:30 AM
To: Benjamin Cruz <bjcruz@guamopa.com>, Thomas Eladio Battung <tbattung@guamopa.com>, Selina Onedera-Salas <sonederasalas@guamopa.com>
Bcc: speaker@guamlegislature.org

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Si Yu'os ma'åse'

Doc Type: 36GL-22-1846
OFFICE OF THE SPEAKER
THERESE M. TERLAJE
04 06 2022
Time: 8:30am
Received:

4 attachments

- **GALC_mlc21.pdf** 240K
- **GALC_fs21.pdf** 581K
- **GALC_sas21.pdf** 1127K
- **GALC FY 2021 Financial Highlights.pdf** 444K

COMMITTEE ON RULES
RECEIVED:
April 6, 2022
10:53 A.M.

Deloitte.

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March 30, 2022

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

Dear Mr. Burch:

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, 2021 (on which we have issued our report dated March 30, 2022), 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, deficiencies related to the GALC's internal control over financial reporting and other matters as of September 30, 2021, that we wish to bring to your attention.

We have also issued a separate report to the Board of Commissioners, also dated March 30, 2022, on our consideration of the GALC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.

The 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 - DEFICIENCIES

We identified, and have included below, control deficiencies involving the GALC's internal control over financial reporting as of September 30, 2021 that we wish to bring to your attention:

(1) Leases Receivable

As of September 30, 2021, the GALC recorded $2,368,242 for lease rental receivables, which included $977,764 in deferred rental payments and $805,496 in delinquent lease rental payments. Accordingly, an audit adjustment was proposed to recognize a corresponding allowance for uncollectible accounts in the amount of $1,783,260. We recommend the GALC, through the Guam Economic Development Authority (GEDA), timely follow up with tenants regarding deferred rental and delinquent lease rental payments.

(2) Roof Repair

During the year ended September 30, 2021, GEDA incurred costs of $121,068 on behalf of the GALC for roof repairs to a tenant occupied building. Contractor invoices, underlying service contract and supporting documentation indicating compliance with applicable procurement requirements was not made available by GEDA. We recommend management require retention of documents to support expenditures. Furthermore, we recommend documentation be adequate to comply with applicable procurement requirements. Specifically, documentation should indicate the history of procurement, including the rationale for contractor or vendor selection.

SECTION II - 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 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.

(2) Office Lease

The GALC is occupying certain space, however, terms and conditions stipulating the agreed specifications in the lease were not formalized into a contract agreement. We recommend management formalize the lease terms and conditions.

SECTION II - OTHER MATTERS, CONTINUED

(3) Bank Transfers

During the year ended September 30, 2021, the GALC transferred cash of $4,511,039 from the Survey and Infrastructure Development Fund to the Land Bank Trust Fund. The purpose of such transfer was to reimburse the Land Bank Trust Fund for net proceeds from a tenant together with net lease base rental revenues representing rental collections for fiscal year 2020. The net proceeds of $4,196,493 along with the net lease base rental revenues of $235,908 were initially deposited in 2020 to the Survey and Infrastructure Development Fund bank account. The cash transfer of $4,511,039 exceeded the required reimbursement amount of $4,432,401 by $78,638. We recommend management rectify this matter through a cash transfer from the Land Bank Trust Fund bank account to the Survey and Infrastructure Development Fund bank account.

SECTION III - 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.

GUAM ANCESTRAL LANDS COMMISSION

(A GOVERNMENTAL FUND OF THE GOVERNMENT OF GUAM)

FINANCIAL STATEMENTS, ADDITIONAL INFORMATION AND INDEPENDENT AUDITORS' REPORT

YEARS ENDED SEPTEMBER 30, 2021 AND 2020

GUAM ANCESTRAL LANDS COMMISSION

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

Board of Commissioners
Guam Ancestral Lands Commission

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

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 19 through 22 has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standard generally accepted in the United States of America. In our opinion, such information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

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

Deloitte + Touche LLP

March 30, 2022

GUAM ANCESTRAL LANDS COMMISSION

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

INTRODUCTION

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

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

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

1. Financial Highlights

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

2. Overview of the Financial Statements

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

3. Financial Statement Analysis

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

3. Financial Statement Analysis, Continued

GALC's Balance Sheets

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

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

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

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

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

3. Financial Statement Analysis, Continued

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

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

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

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

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

4. Challenges and Accomplishments

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

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

4. Challenges and Accomplishments, Continued

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

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

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

5. Outlook

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

6. Contacting the Guam Ancestral Lands Commission Financial Management

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

GUAM ANCESTRAL LANDS COMMISSION

Balance Sheets
September 30, 2021 and 2020

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

See accompanying notes to financial statements.

GUAM ANCESTRAL LANDS COMMISSION

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

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

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.

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

(2) Summary of Significant Accounting Policies

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

Measurement Focus and Basis of Accounting

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

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

- The Ancestral Lands Operations Fund - this fund was created for the purpose of accounting for the payment of operational costs associated with the GALC.

- The Land Bank Trust Fund - this fund was created for the purpose of accounting for all assets and revenues of the Land Bank, which consists of former Spanish Crown Lands and other non-ancestral lands conveyed by the United States federal government to GovGuam. The GALC acts as a developer of the lands with resulting lease rental income used to provide just compensation for those dispossessed landowners whose properties cannot be returned.

- The Landowner's Recovery Fund - this fund was created for the purpose of accounting of granting loans, loan guarantees or grant-in-aid to landowners, or to defer costs or fees for professional services required by those landowners or class of landowners who have ancestral land claims.

(2) Summary of Significant Accounting Policies, Continued

Measurement Focus and Basis of Accounting, Continued

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

Basis of Presentation

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

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

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

Cash and Cash Equivalents and Time Certificates of Deposit

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

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

(2) Summary of Significant Accounting Policies, Continued

Cash and Cash Equivalents and Time Certificates of Deposit, Continued

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

Receivables

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

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

Prepaid Items

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

Interfund Receivables

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

Deferred Inflows of Resources

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

Fund Balance

Governmental fund balances are classified as follows:

- Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

- Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and do not lapse at year-end.

(2) Summary of Significant Accounting Policies, Continued

Fund Balance, Continued

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

A formal minimum fund balance policy has not been adopted.

Management Estimates

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

New Accounting Standards

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

- GASB Statement No. 84, *Fiduciary Activities*, which improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

- GASB Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and 61*, which improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units.

- GASB Statement No. 93, *Replacement of Interbank Offered Rates*, which establishes accounting and reporting requirements related to the replacement of Interbank Offered Rates such as the London Interbank Offered Rate (LIBOR) for hedging derivative instruments. The provision removing LIBOR as an appropriate benchmark interest rate for the evaluation of the effectiveness of derivative instruments is effective for the year ended September 30, 2022.

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

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

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

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

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

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

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

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

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

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

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

(3) Risk Management

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

(4) Receivables

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

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

(4) Receivables, Continued

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

(5) Security Deposits Payable

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

(6) Related Party Transactions

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

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

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

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

(7) Commitments

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

Apra Harbor Parcel No. 1 (Commissary Junction):

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

a. Base rent of $3,911 payable monthly in advance on the first business day of each month escalating each year at the rate of 1%; and

b. Participation rent of 2.5% of the tenant's gross annual revenue, as defined in the lease agreement, received by the tenant from its operation at the premises. Payment shall be made by the tenant within 90 days after the end of each fiscal year.

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

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

Apra Harbor Reservation F-12 (Polaris Point):

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

a. Initial base rent of $25,000 payable monthly in advance on the first business day of each month; and

b. Participation rent of 2.6% of the tenant's gross monthly revenue, as defined in the lease agreement, received by the tenant each month from its operation at the premises. Payment for the previous month shall be made by the tenant on or before the 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. Effective July 1, 2021, the base rent was adjusted to $27,733 payable monthly in advance.

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

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

(7) Commitments, Continued

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

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

a. Initial base rent of $27,197, adjusted to $25,322, payable monthly in advance on the first business day of each month commencing January 1, 2015 upon completion of the development phase and escalating every five years at the rate of 10%; and

b. Participation rent of 2.5% of the tenant's gross monthly revenue, as defined in the lease, received by the tenant each quarter from its operation at the premises. Payment shall be made by the tenant within 30 days after the end of each calendar quarter.

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

Guam Environmental Protection Authority (GEPA):

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

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

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

(7) Commitments, Continued

Tanguisson Cable Landing Station:

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

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

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

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

(8) Contingency

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

GUAM ANCESTRAL LANDS COMMISSION

Combining Balance Sheet
September 30, 2021

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

See Accompanying Independent Auditors' Report.

GUAM ANCESTRAL LANDS COMMISSION

Combining Balance Sheet
September 30, 2020

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

See Accompanying Independent Auditors' Report.

GUAM ANCESTRAL LANDS COMMISSION

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

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

See Accompanying Independent Auditors' Report.

GUAM ANCESTRAL LANDS COMMISSION

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

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

See Accompanying Independent Auditors' Report.

GUAM ANCESTRAL LANDS COMMISSION

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

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

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, 2021, and the related statement of revenues, expenditures and changes in fund balance for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 30, 2022.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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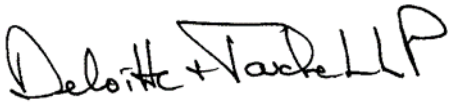
The GALC's Response to Findings

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.



March 30, 2022

GUAM ANCESTRAL LANDS COMMISSION

Schedule of Findings and Responses
Year Ended September 30, 2021

Finding No. 2021-001

Survey, Infrastructure and Development Fund

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

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

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

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

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

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

GUAM ANCESTRAL LANDS COMMISSION

Unresolved Prior Audit Findings
Year Ended September 30, 2021

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

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March 30, 2022

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, 2021, in accordance with auditing standards generally accepted in the United States of America ("generally accepted auditing standards") and have issued our report thereon dated March 30, 2022.

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

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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 November 12, 2021. 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, 2021, in conformity with accounting principles generally accepted in the United States of America ("generally accepted accounting principles"), in all material respects;

- 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

- 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, 2021, 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 2021 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, 2021, we are not aware of any significant changes in accounting estimates or in management's judgments relating to such estimates.

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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.

UNCORRECTED 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. We have attached to this letter, as Appendix A to Attachment II, a summary of uncorrected misstatements that we presented to management during the current audit engagement that were determined to by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Uncorrected misstatements or matters underlying these uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even if we have concluded that the uncorrected misstatements are immaterial to the financial statements for the year ended September 30, 2021.

SIGNIFICANT ACCOUNTING POLICIES

The Commission's significant accounting policies are set forth in Note 2 to the Commission's 2021 financial statements. During the year ended September 30, 2021, there were no significant changes in previously adopted accounting policies or their application.

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

- GASB Statement No. 84, *Fiduciary Activities*, which improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

- GASB Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and 61*, which improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units.

- GASB Statement No. 93, *Replacement of Interbank Offered Rates*, which establishes accounting and reporting requirements related to the replacement of Interbank Offered Rates such as the London Interbank Offered Rate (LIBOR) for hedging derivative instruments. The provision removing LIBOR as an appropriate benchmark interest rate for the evaluation of the effectiveness of derivative instruments is effective for the year ended September 30, 2022.

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

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

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

SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

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

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

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

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

SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

We have evaluated the significant qualitative aspects of the Commission'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 2021 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 2021.

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.

EMPHASIS-OF-MATTER PARAGRAPH

Reporting Entity

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

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EMPHASIS-OF-MATTER PARAGRAPH, CONTINUED

The proposed wording of the emphasis-of-matter paragraph follows:

Reporting Entity

As discussed in Note 1 to the financial statements, the financial statements referred to above present only the Commission 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.

CONTROL-RELATED MATTERS

We have issued a separate report to you, also dated March 30, 2022, 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. Although we have included management's written responses to our comments, such responses have not been subjected to the auditing procedures applied in our audit of the financial statements and, accordingly, we do not express an opinion or provide any form of assurance on the appropriateness of the responses or the effectiveness of any corrective actions described therein.

We have communicated to management, in a separate letter also dated March 30, 2022, certain deficiencies and other matters related to the Commission's internal control over financial reporting.

* * * * * *

GALC
Summary of Corrected Misstatements
September 30, 2021

Land Bank Trust Fund:

#	Name	Debit	Credit
	1 AJE To correct accrued interest on TCDs		
1102	Accrued Interest Receivable	111,069.72	
2200.08DT	Deferred Revenue - TCD Accured Interest	238,329.40	
8003	Interest Income		349,399.12
	To correct accrued receivables on TCDs	349,399.12	349,399.12
	2 AJE To correct interest receivable from NM		
1100.10DT	Accounts Receivable - NM Interest on Deferred Payments	87,579.55	
2200.03DT	Deferred Revenue - NM		87,579.55
	To correct interest receivable - NM deferred payments	87,579.55	87,579.55
	3 AJE To correct AR, Deferred and base rent		
2200	Deferred Revenue	6,653.15	
1100	Accounts Receivable	13,892.08	
1101	Accounts Receivable:Allowance for Doubtful Accounts		11,465.88
8115DT	Miscellaneous Expenditures		17,794.91
2200.09DT	Deferred Revenue - GEDA	6,864.00	
8000	Base Rent	1,851.56	
	To correct AR, Deferred revenues and base rent.	29,260.79	29,260.79
	4 AJE To correct AT&T base rent		
1104DT	Due from SID Fund	117,954.50	
8000	Base Rent		137,636.52
2400	Due to GEDA	19,682.02	
	To correct AT&T base rent	137,636.52	137,636.52
	5 AJE To correct NM receivable allowance		
2200	Deferred Revenue	1,783,259.90	
1101	Accounts Receivable:Allowance for Doubtful Accounts		1,783,259.90
	To correct NM receivable allowance	1,783,259.90	1,783,259.90
	6 AJE To correct prepaid assets and miscellaneous expenditures		
8115DT	Miscellaneous Expenditures	68,072.97	
1400	Prepayments		40,209.00
2400	Due to GEDA		27,863.97
	To correct prepayments and miscellaneous expenditures	68,072.97	68,072.97

GALC
Summary of Corrected Misstatements
September 30, 2021

Ancestral Lands Operations Fund:

#	Name	Debit	Credit
	1 AJE To correct appropriation		
8103	Contractual Services	8,816.45	
1200	Interfund Receivable		7,429.08
8001DT	Compact Impact Fund - APP		1,387.37
	To correct appropriations and transfer in for FY2021.	8,816.45	8,816.45

Survey, Infrastructure and Development Fund:

#	Name	Debit	Credit
	1 AJE To correct AT&T base rent		
8000	Base Rent	137,636.52	
1104DT	Due to Land Bank Trust Fund		117,954.50
8110	GEDA Management Fees		19,682.02
	To correct AT&T base rent	137,636.52	137,636.52

Signed: John Burch - GALC Executive Director

Signed: Joseph B. Cruz Jr. - Designated Program Coordinator (CLTC)

BOARD OF COMMISSIONERS

Ronald F. Eclavea
Chairman

Ronald T. Laguana
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Commissioner

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671-649-5383

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

LOURDES A. LEON GUERRERO
Maga'haga

JOSHUA F. TENORIO
Sigundo Maga'lahi

JOHN T. BURCH
Executive Director

March 30, 2022

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, 2021 and 2020, 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 fair presentation of additional information accompanying the financial statements that is presented for the purpose of additional analysis of the financial statements.

c. 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.

d. 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. We believe the effects of any uncorrected financial statement misstatements aggregated by you during the current audit engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. A summary of such uncorrected misstatements has been attached as Appendix A.

6. 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.

7. 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.

8. 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.

9. 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.

10. The methods, significant assumptions, and the data used by us in making the accounting estimates and the related disclosures are appropriate to achieve recognition, measurement, or disclosure that is in accordance with GAAP.

11. We are responsible for compliance with local, state, and federal laws, rules, and regulations, including compliance with the provisions of grants and contracts relating to the GALC's operations. We are responsible for understanding and complying with the requirements of the federal statutes and regulations. We are responsible for establishing and maintaining the components of internal control relating to our activities in order to achieve the objectives of providing reliable financial reports, effective and efficient operations, and compliance with laws and regulations. We are responsible for maintaining accounting and administrative control over revenues, obligations, expenditures, assets, and liabilities.

12. We have informed you of all investigations or legal proceedings that have been initiated during the year ended September 30, 2021 or are in process as of September 30, 2021.

13. We are responsible for all nonaudit services performed by you during the year ended September 30, 2021 and through March 30, 2022.

14. We have disclosed to you all deficiencies in the design or operation of internal control over financial reporting identified as part of our evaluation, including separately disclosing to you all such deficiencies that are significant deficiencies or material weaknesses in internal control over financial reporting.

15. No changes in internal control over compliance or other factors that might significantly affect internal control over financial reporting, including any corrective actions taken by the GALC with regard to significant deficiencies and material weaknesses in internal control over compliance, have occurred subsequent to September 30, 2021.

16. We are responsible for taking corrective action on audit findings and have developed a corrective action plan. We have taken timely and appropriate steps to remedy fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse that you report.

17. 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.

18. We have adopted the provisions of GASB Codification Section 2100, *Defining the Financial Reporting Entity*. No organization meets the criteria established in GASB Codification Section 2100, *Defining the Financial Reporting Entity*, for inclusion as a component unit.

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

    - GASB Statement No. 84, *Fiduciary Activities*, which improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

    - GASB Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and 61*, which improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units.

    - GASB Statement No. 93, *Replacement of Interbank Offered Rates*, which establishes accounting and reporting requirements related to the replacement of Interbank Offered Rates such as the London Interbank Offered Rate (LIBOR) for hedging derivative instruments. The provision removing LIBOR as an appropriate benchmark interest rate for the evaluation of the effectiveness of derivative instruments is effective for the year ended September 30, 2022.

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

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

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

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

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

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

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

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

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

Except where otherwise stated below, matters less than $7,000 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.

28. Except as listed in Appendix A, there are no transactions that have not been properly recorded and reflected in the financial statements.

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

30. 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.

31. 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.

32. 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.

33. There are no:

    a. Instances of identified or suspected noncompliance with laws and regulations, or provisions of contracts or grant agreements 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. Known actual or likely instances of abuse that have occurred that could be quantitatively or qualitatively material to the financial statements.

    d. 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.

34. 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.

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

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

37. 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.

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

39. No events have occurred after September 30, 2021, but before March 30, 2022, the date the financial statements were available to be issued that require consideration as adjustments to or disclosures in the financial statements.

40. 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.*

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

42. 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.

43. 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.

44. 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.

45. 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, 2021.

Very truly yours,

Signed: _____
JOHN T. BURCH
Title: Executive Director

Signed: _____
Joseph B. Cruz, Jr.
Title: Administrative Officer

APPENDIX A

Guam Ancestral Land Commission
Summary of Uncorrected Misstatements
Year Ended September 30, 2021

	Assets		Liabilities		Equity		Income	
	Dr.	(Cr.)	Dr.	(Cr.)	Dr.	(Cr.)	Dr.	(Cr.)
To correct understatement of legal fees payable				(2,061)			2,061	
To correct building rent	6,005							(6,005)
	6,005			(2,061)			2,061	(6,005)

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Guam Ancestral Lands Commission – FY 2021 Financial Highlights

April 6, 2022

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

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

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

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

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

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

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

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

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

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

There were no unresolved audit findings from prior year audits.

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

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