

*Financial Statements, Required Supplementary Information
and Other Supplementary Information*

Guam Ancestral Lands Commission

(A Governmental Fund of the Government of Guam)

Year ended September 30, 2022

with Report of Independent Auditors



Guam Ancestral Lands Commission
(A Governmental Fund of the Government of Guam)

Financial Statements, Required Supplementary Information and
Other Supplementary Information

Year ended September 30, 2022

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Report of Independent Auditors

The Board of Commissioners
Guam Ancestral Lands Commission

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Guam Ancestral Lands Commission (GALC), a governmental fund of the Government of Guam (GovGuam), which comprise the balance sheet as of September 30, 2022, 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.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the GALC as of September 30, 2022, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the GALC, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the GALC and do not purport to, and do not, present fairly the financial position of the Government of Guam as of September 30, 2022, and changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the GALC's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 GALC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the GALC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 8 be presented to supplement the financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the GALC's financial statements. The supplementary information on pages 28 through 30 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit 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 standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2024 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.

Ernst + Young LLP

May 24, 2024

Guam Ancestral Lands Commission
(A Governmental Fund of the Government of Guam)

Management's Discussion and Analysis

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 312, 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 year ended September 30, 2022 and 2021. 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 \$15,505,392 at September 30, 2022 as compared to \$14,613,800 at the end of the prior year.
- Total assets on September 30, 2022 increased by \$10,915,816 (or 71%) as compared to September 30, 2021.
- Total liabilities and deferred inflows of resources on September 30, 2022 increased by \$10,024,224 (or 1383%) as compared to September 30, 2021.
- Total fund balance on September 30, 2022 increased by \$891,592 (or 6%) as compared to September 30, 2021.
- Total revenues of \$1,443,034 for the year ended September 30, 2022 increased by \$141,178 (or 11%) as compared to \$1,301,856 for the prior year. Total expenditures of \$551,442 for the year ended September 30, 2022 decreased by \$12,134 (or 2%) as compared to \$563,576 for the prior year. This resulted in an increase in the fund balance of \$891,592 for the year ended September 30, 2022 as compared to \$738,280 for the prior year.

Guam Ancestral Lands Commission
(A Governmental Fund of the Government of Guam)

Management's Discussion and Analysis, continued

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, 2022 and a Statement of Revenues, Expenditures, and Changes in Fund Balance for the year 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, 2021 is set forth in GALC's report on the audit of financial statements, which is dated March 30, 2022. That Management Discussion and Analysis explains the major factors impacting the 2021 financial statements and may be obtained from the information below.

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 sheet shown below for the year ended September 30, 2022 as compared with the year ended September 30, 2021.

Summary Balance Sheets
As of September 30

	2022	2021	\$ Change 2022-2021	% Change 2022-2021
Assets:				
Cash and cash equivalents	\$ 15,113,593	\$ 6,701,366	\$ 8,412,227	126%
Time certificates of deposit	324,242	7,880,095	(7,555,853)	(96)%
Lease receivable	10,319,438	-	10,319,438	100%
Receivables, net	<u>497,418</u>	<u>757,414</u>	<u>(259,996)</u>	(34)%
Total assets	<u>\$ 26,254,691</u>	<u>\$ 15,338,875</u>	<u>\$ 10,915,816</u>	71%
Liabilities:				
Accounts payable	\$ 90,621	\$ 88,616	\$ 2,005	2%
Due to GovGuam General Fund	444,462	382,934	61,528	16%
Security deposits payable	<u>77,410</u>	<u>77,410</u>	<u>-</u>	0%
Total liabilities	<u>612,493</u>	<u>548,960</u>	<u>63,533</u>	12%
Deferred inflows of resources:				
Lease revenues	10,136,806	-	10,136,806	100%
Deferred revenues	<u>-</u>	<u>176,115</u>	<u>(176,115)</u>	(100)%
Total deferred inflows of resources	<u>10,136,806</u>	<u>176,115</u>	<u>9,960,691</u>	5656%
Fund balance:				
Committed	<u>15,505,392</u>	<u>14,613,800</u>	<u>891,592</u>	6%
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 26,254,691</u>	<u>\$ 15,338,875</u>	<u>\$ 10,915,816</u>	71%

Guam Ancestral Lands Commission
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Management's Discussion and Analysis, continued

3. Financial Statement Analysis, continued

Total assets increased by \$10,915,816 (or 71%) in 2022 compared to 2021 primarily due to the increase in cash and cash equivalents and lease receivables offset by the decrease in receivables and time certificates of deposit. Lease receivables increase is primary due to the implementation of GASB 87.

Total liabilities and deferred inflows of resources increased by \$10,024,224 (or 1383%) in 2022 compared to 2021 primarily due to the increase in deferred inflow from leases offset by the decrease in accounts payable. The increase in deferred inflow from leases is primarily due to the implementation of GASB 87.

Total fund balance increased by \$891,592 (or 6%) in 2022 compared to 2021 due to the difference between 2022 revenues earned and expenditures incurred compared to 2021.

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, 2022 as compared with the year ended September 30, 2021.

**Summary Statements of Revenues and Expenditures
and Changes in Fund Balance
Year Ended September 30**

	2022	2021	\$ Change 2022-2021	% Change 2022-2021
Revenues:				
Lease rentals	\$ 702,733	\$ 850,819	\$ (148,086)	(17.4)%
GovGuam appropriations	40,981	41,887	(906)	(2.2)%
Interest income	699,320	409,150	290,170	70.9%
Total revenues	<u>1,443,034</u>	<u>1,301,856</u>	<u>141,178</u>	10.8%
Expenditures:				
Salaries and wages	260,661	224,859	35,802	15.9%
Contractual services	87,894	76,320	11,574	15.2%
Management fees	127,702	102,223	25,479	24.9%
Miscellaneous and other	75,185	160,174	(84,989)	(53.1)%
Total expenditures	<u>551,442</u>	<u>563,576</u>	<u>(12,134)</u>	(2.2)%
	891,592	738,280	153,312	20.8%
Fund balance:				
Beginning of year	<u>14,613,800</u>	<u>13,875,520</u>	<u>738,280</u>	5.3%
End of year	<u>\$ 15,505,392</u>	<u>\$ 14,613,800</u>	<u>\$ 891,592</u>	6.1%

Guam Ancestral Lands Commission
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Management's Discussion and Analysis, continued

3. Financial Statement Analysis, continued

Total revenues increased by \$141,178 (or 11%) from \$1,301,856 in 2021 to \$1,443,034 in 2022. The increase in revenues for 2022 was primarily due to the increase in participation rent and interest income. The decrease in GovGuam appropriation is a result of the passage of Public Law 36-54 also known as the Budget Act of FY2022.

Total expenditures decreased by \$12,134 (or 2%) from \$563,576 in 2021 to \$551,442 in 2022. The decrease in expenditures for 2022 was primarily due to decrease in building rent, supplies, communications, and miscellaneous expenses.

4. Challenges and Accomplishments

Our mission is to administer the Guam Ancestral Lands Act in order that ancestral landowners, their heirs and descendants may expeditiously exercise all the fundamental civil rights in the property they own; establish a land bank to provide just compensation for dispossessed ancestral landowners; and when appropriate, assume the role of Claims Facilitator to assist ancestral landowners in pursuit of just remedies. Moreover, the GALC is mandated to establish an account known as the Land Bank. The funds deposited into this account will be used to compensate original landowners who will never realize the return of their ancestral lands.

Another fund under the custody of the GALC is known as the Landowner's Recovery Fund. Money available within this fund is for the purpose of granting loans, guarantees of loans to aid landowners to defer costs or fees of professional services. Unfortunately, the GALC has been unable to begin such activities because of the lack of staff and a committed funding source.

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

At year-end September 30, 2022, the GALC operated with a Board of 7 members and supported by 1 classified and 4 unclassified employees. In 2022, the GALC did not return any property, and the GALC's aggregate amount of land returned remains at 2,643.12 acres. Furthermore, the GALC issued one new Commercial License to Smithbridge for thirteen (13) acres at Polaris Point. For FY2022, the GALC paid the Guam Economic Development Authority (GEDA) \$127,702 in management fees for services provided in 2022.

Guam Ancestral Lands Commission
(A Governmental Fund of the Government of Guam)

Management's Discussion and Analysis, continued

4. Challenges and Accomplishments, continued

At year-end September 30, 2020, the GALC was unable to finalize the Land Bank Rules and Regulations. As a result, the GALC was unable to compensate original landowners who will not benefit from their return of their lands. Although, a working draft of the proposed amendment of Title 21, Chapter 80, Guam Code Annotated was provided to the Board for their review. Furthermore, the GALC was not able to resolve easement access issues for returned properties.

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 (671) 473-5263 or email john.burch@galc.guam.gov

Guam Ancestral Lands Commission
(A Governmental Fund of the Government of Guam)

Balance Sheet

September 30, 2022

Assets

Cash and cash equivalents	\$ 15,113,593
Time certificates of deposit	324,242
Receivables, net	497,418
Leases receivable	<u>10,319,438</u>
 Total assets	 <u>\$ 26,254,691</u>

Liabilities

Accounts payable	\$ 90,621
Due to GovGuam General Fund	444,462
Security deposits payable	<u>77,410</u>
 Total liabilities	 <u>612,493</u>

Deferred Inflows of Resources

Deferred inflows from leases	<u>10,136,806</u>
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Fund Balance

Fund Balance:	
Committed	<u>15,505,392</u>
	<u>\$ 26,254,691</u>

See accompanying notes.

Guam Ancestral Lands Commission
(A Governmental Fund of the Government of Guam)

Statement of Revenues, Expenditures and Changes in Fund Balance

Year ended September 30, 2022

Revenues:		
Lease rentals:		
Base rent	\$	679,299
Participation rent		23,434
GovGuam appropriation		40,981
Interest income		<u>699,320</u>
Total revenues		<u>1,443,034</u>
Expenditures:		
Salaries and wages - regular		180,399
Management fees		127,702
Contractual services		87,894
Salaries and wages - fringe benefits		80,262
Building rent		36,261
Communications		3,441
Supplies		2,501
Miscellaneous		<u>32,982</u>
Total expenditures		<u>551,442</u>
Net change in fund balance		891,592
Fund balance at the beginning of the year		<u>14,613,800</u>
Fund balance at the end of the year		\$ <u>15,505,392</u>

See accompanying notes.

Guam Ancestral Lands Commission
(A Governmental Fund of the Government of Guam)

Notes to Financial Statements

Year ended September 30, 2022

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 government's general activities, including the collection and disbursement of earmarked monies (special revenue funds).

Guam Ancestral Lands Commission
(A Governmental Fund of the Government of Guam)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Measurement Focus and Basis of Accounting, continued

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.
- 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 governmental funds. 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 that the amount of the transaction can be determined and "available" means that the amount of the transaction is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

A one-year availability period is used for revenue recognition for all governmental fund type revenues. Expenditures are recorded when the related fund liability is incurred.

Guam Ancestral Lands Commission
(A Governmental Fund of the Government of Guam)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Basis of Presentation, continued

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 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 risk.

For the purposes of the balance sheet, 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 separately classified on the balance sheet. As of September 30, 2022, the carrying amount and corresponding bank balances of the GALC's cash and cash equivalents and time certificates of deposit were \$15,437,835. 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, 2022, bank deposits in the amount of \$64,337 were FDIC insured and bank deposits in the amount of \$500,000 were NCUA insured.

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, 2022, substantially all of 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.

Guam Ancestral Lands Commission
(A Governmental Fund of the Government of Guam)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

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.

Leases Receivable

The GALC acts as a lessor of various ground leases. Leases with maximum terms of more than twelve months are recognized as lease receivables and deferred inflows from leases. Lease receivables are recorded as the present value of the future lease payments expected to be received from the lessee during the lease term, net of any estimated uncollectible amounts.

Interfund Receivables/Payables

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. As of September 30, 2022, the GALC has recognized an interfund payable of \$444,462 for payments made by GovGuam's General Fund on behalf of the GALC for goods provided or services rendered.

Deferred Inflows of Resources

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

Fund Balance

Governmental fund balances are classified as follows:

- Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and do not lapse at year-end.

Guam Ancestral Lands Commission
(A Governmental Fund of the Government of Guam)

Notes to Financial Statements, continued

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.

Recently Adopted Accounting Pronouncements

In 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postponed the effective dates of GASB Statement No. 84, 89, 90, 91, 92 and 93 by one year and GASB Statement No. 87 by 18 months; however, earlier application of the provisions addressed in GASB Statement No. 95 is encouraged and is permitted to the extent specified in each pronouncement as originally issued. In accordance with GASB Statement No. 95, the GALC's management has elected to postpone implementation of these statements.

During the year ended September 30, 2022, the GALC implemented the following pronouncements:

- GASB Statement No. 87, *Leases*, which 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. As a result of the adoption of GASB Statement No. 87, GALC has recognized, as a lessor, leases receivable and related deferred inflows of resources. Refer to Note 7 for accompanying footnote disclosure.

- GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, which enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The implementation of this statement did not have a material effect on the accompanying financial statements.

Guam Ancestral Lands Commission
(A Governmental Fund of the Government of Guam)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Recently Adopted Accounting Pronouncements, continued

- GASB Statement No. 92, *Omnibus 2020*, which enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The implementation of this statement did not have a material effect on the accompanying financial statements.
- GASB 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*, which increases consistency and comparability related to the reporting of fiduciary component units; mitigates costs associated with the reporting of certain pension plans and other postemployment benefit (OPEB) plans as fiduciary component units; and enhances 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. The implementation of this statement did not have a material effect on the accompanying financial statements.
- GASB Statement No. 98, *The Annual Comprehensive Financial Report*, which 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. The implementation of this statement did not have a material effect on the accompanying financial statements.
- GASB Statement No. 99, *Omnibus 2022*, which provides clarification guidance on several of its recent statements that addresses different accounting and financial reporting issues identified during implementation of the new standards and during the GASB's review of recent pronouncements. GASB Statement No. 99:
 - 1) Amends guidance in GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, requiring that the accounting and financial reporting of Supplemental Nutrition Assistance Program (SNAP) transactions should follow the provisions of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, as amended. These provisions were effective upon issuance and the implementation did not have a material effect on the accompanying financial statements.

Guam Ancestral Lands Commission
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Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Recently Adopted Accounting Pronouncements, continued

- 2) Requires disclosures related to nonmonetary transactions, in the notes to financial statements, of the measurement attribute(s) applied to the assets transferred rather than the basis of accounting for those assets. These provisions were effective upon issuance and the implementation did not have a material effect on the accompanying financial statements.
- 3) Provides guidance on accounting for pledges of future revenues when resources are not received by the pledging government. The guidance addresses the process of blending a component unit created to issue debt on behalf of a primary government when that component unit is required to be presented as a blended component unit. This guidance was effective upon issuance and the implementation did not have a material effect on the accompanying financial statements.
- 4) Provides clarification of provisions in GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended, related to the focus of the government-wide financial statements. This guidance was effective upon issuance and the implementation did not have a material effect on the accompanying financial statements.
- 5) Provides terminology updates related to certain provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and terminology used in GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. These updates were effective upon issuance and the implementation did not have a material effect on the accompanying financial statements.
- 6) GASB Statement No. 93, *Replacement of Interbank Offered Rates*, which amended GASB Statement No. 53 to address transition away from the London Interbank Offered Rate (LIBOR). GASB Statement No. 99 extends the period during which the LIBOR is considered an appropriate benchmark interest rate to when LIBOR ceases to be determined using methodology in place as of December 31, 2021. This guidance was effective upon issuance and the implementation did not have a material effect on the accompanying financial statements.

Guam Ancestral Lands Commission
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Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements

In May 2019, GASB issued Statement No. 91, *Conduit debt obligations*. The primary objectives of this statement are to provide a single method 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 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. GASB Statement No. 91 will be effective for fiscal year ending September 30, 2023.

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 (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. 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. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. GASB Statement No. 96 will be effective for fiscal year ending September 30, 2023.

Guam Ancestral Lands Commission
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Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. This Statement contains guidance whose effective dates are in future periods. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 99:

- 1) Modifies guidance in GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, to bring all guarantees under the same financial reporting requirements and disclosures effective for fiscal year ending September 30, 2024.
- 2) Provides guidance on classification and reporting of derivative instruments within the scope of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, effective for fiscal year ending September 30, 2024.
- 3) Provides clarification of provisions in GASB Statement No. 87 related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives effective for fiscal year ending September 30, 2023.
- 4) Provides clarification of provisions in GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset. Effective for fiscal year ending September 30, 2023.
- 5) Provides clarification of provisions in GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability. Effective for fiscal year ending September 30, 2023.
- 6) Modifies accounting and reporting guidance in GASB Statement No. 53 related to termination of hedge. Guidance is effective for fiscal year ending September 30, 2023.

Guam Ancestral Lands Commission
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Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections - An Amendment of GASB Statement No. 62*. This Statement enhances accounting and financial reporting requirements for accounting changes and error corrections and requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. Requirements applicable to changes in accounting principles apply to the implementation of a new pronouncement if there is no specific transition guidance in the new pronouncement. The Statement also requires that aggregate amounts of adjustments to, and restatements of, beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 100 will be effective for fiscal year ending September 30, 2024.

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The primary objective of the Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid, provided the services have occurred, the leave accumulates, and the leave is more likely than not to be used for time off or otherwise paid in cash or noncash means. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. Leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 101 will be effective for fiscal year ending September 30, 2025.

In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. GASB Statement No. 102 will be effective for fiscal year ending September 30, 2025.

Guam Ancestral Lands Commission
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Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Subsequent Events

Management has evaluated subsequent events through May 24, 2024, which is the date that the financial statements were available to be issued.

On May 24, 2023, the island of Guam suffered severe damages caused by super typhoon Mawar. As of the date of the report, most of the damaged and affected areas in the properties have been restored.

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, 2022, including the applicable allowance for uncollectible accounts, are as follows:

Lease rental	\$ 1,623,667
Interest receivable	538,144
Due from Guam Economic Development Authority (GEDA)	<u>77,410</u>
	2,239,221
Less allowance for uncollectible accounts	<u>(1,741,803)</u>
	\$ <u>497,418</u>

As of September 30, 2022, lease rental receivables include \$45,899 due from GovGuam's Department of Public Health and Social Services (DPHSS) and \$247,985 due from the Guam Environmental Protection Agency (GEPA) with a corresponding allowance for uncollectible accounts of \$243,985.

Guam Ancestral Lands Commission
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Notes to Financial Statements, continued

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, 2022, 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 GEDA, the GEPA, the GovGuam Department of Land Management, and the GovGuam DPHSS. During the year ended September 30, 2022, the GALC recognized certain on-behalf payments as contributions from GovGuam, totaling \$40,981, representing certain payroll and related expenditures that GovGuam paid directly on behalf of the GALC. These expenditures were funded through appropriations from GovGuam's General Fund.

During the year ended September 30, 2022, GEDA withheld \$127,702 of all rents received representing lease management services as discussed in Note 7 of the financial statements.

During the year ended September 30, 2022, certain legal costs of \$47,368 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, 2022, such land is valued at \$459,050,489, of which \$13,264,125 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. Leases

In accordance with GASB Statement No. 87, *Leases*, the GALC, as a lessor, recognizes a lease receivable and deferred inflow of resources at the commencement of the lease term, with exceptions for short-term leases. The lease receivable is measured as the present value of the lease payments expected to be received during the lease term. The deferred inflow of resources is measured at the value of the lease receivable in addition to any payments received at or before the commencement of the lease term that relates to the future periods.

Guam Ancestral Lands Commission
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Notes to Financial Statements, continued

7. Leases, continued

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

Apra Harbor Parcel No. 1 (Commissary Junction)

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

- a. Base rent of \$3,113 payable monthly in advance 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. Effective May 1, 2022, the base rent was adjusted to \$3,950 payable monthly in advance.

During the year ended September 30, 2022, the GALC recognized lease base rental revenue and interest income of \$18,901 and \$28,495, respectively, and lease participation rental revenue of \$22,810, 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 annual revenue, as defined in the lease agreement, received by the tenant each month from its operation at the premises. Payment for the previous month shall be made by the tenant on or before the 30th day of each calendar month.

Guam Ancestral Lands Commission
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Notes to Financial Statements, continued

7. Leases, continued

The base rent shall be adjusted every ten years to the product of the then fair market rental value of the premises and an eight percent capitalization rate. Such fair market rental value shall be determined by an appraisal of the premises, exclusive of any improvements, which shall be performed at the tenant's sole cost and expense. Effective July 1, 2021, the base rent was adjusted to \$27,733 payable monthly in advance.

During the year ended September 30, 2022, the GALC recognized lease base rental revenue and interest income of \$126,202 and \$206,594, respectively, and lease participation rental revenue of \$624, associated with this lease agreement.

In 2017, the GALC entered into a one-year license agreement with a tenant commencing June 1, 2017, 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, 2018, the lease continues each month with the same terms and conditions. During the year ended September 30, 2022, the GALC recognized lease base rental revenue of \$7,200 associated with this license.

In 2022, the GALC entered into a five-year lease agreement with a tenant commencing September 1, 2022 for a certain real property with a usable area of approximately eight (8) acres. In accordance with the lease agreement, monthly base rent of \$1,100 per acre payable monthly in advance on the first calendar day of each month by the tenant. During the year ended September 30, 2022, the GALC recognized lease base rental revenue of \$8,800 associated with this lease.

Anderson Family Housing Annex no. 1

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 \$27,855, 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.

No lease base rental revenue or interest income from deferred payments were recognized during the year ended September 30, 2022.

Guam Ancestral Lands Commission
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Notes to Financial Statements, continued

7. Leases, continued

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 allow GEPA 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, 2022, the GALC recognized lease base rental revenue of \$100,000 associated with this license.

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 allow DPHSS 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 year ended September 30, 2022, the GALC recognized lease base rental revenue and interest income of \$85,593 and \$28,495, respectively, associated with this agreement.

Guam Ancestral Lands Commission
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Notes to Financial Statements, continued

7. Leases, 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% capitalization rate. Such fair market value shall be determined by an appraisal of the property, which shall be performed at the GALC and the tenant's split cost. During the year ended September 30, 2022, the GALC recognized lease base rental revenue and interest income of \$256,431 and \$17,970, respectively, associated with this agreement.

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

Year Ending September 30,	Base Rent	Interest	Total
2023	\$ 569,499	\$ 292,365	\$ 861,864
2024	586,588	275,277	861,865
2025	325,149	261,442	586,591
2026	334,906	251,685	586,591
2027	336,156	241,636	577,792
2028 - 2032	841,674	1,118,084	1,959,758
2033 - 2037	908,255	992,703	1,900,958
2038 - 2042	1,052,940	848,017	1,900,957
2043 - 2047	1,220,676	680,282	1,900,958
2048 - 2052	1,415,131	485,827	1,900,958
2053 - 2057	1,640,564	260,394	1,900,958
2058 - 2062	1,087,900	37,568	1,125,468
	<u>\$ 10,319,438</u>	<u>\$ 5,745,280</u>	<u>\$ 16,064,718</u>

Guam Ancestral Lands Commission
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Notes to Financial Statements, continued

7. Leases, continued

In 2006, the GALC entered into a memorandum of agreement with GEDA to assist with the development, management, and maintenance of Trust Lands for the purpose of maximizing benefit to dispossessed landowners and be responsible for the collection and remittance of security deposits and lease rental payments to the GALC. GEDA shall remit all rents received from the lease of Trust Lands but shall retain 14.3% of the base rent and 20% of the participation rent paid by all developers and/or lessees of the Trust Lands as payment for lease management services. Base rent collected from developers and/or lessees shall be remitted to the GALC no later than twenty (20) calendar days after receipt from the developers and/or lessees. Participation rent collected from developers and/or lessees shall be remitted to the GALC no later than ninety (90) calendar days after receipt from the developers and/or lessees. During the year ended September 30, 2022, GEDA withheld \$127,072 of all rents received as payment for lease management services. As of September 30, 2022, the GALC has recognized a liability of \$90,621 for lease management services relating to rent receivables collected as of year-end.

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, 2022. 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.

Supplementary Information

Guam Ancestral Lands Commission
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Combining Balance Sheet
September 30, 2022

	Ancestral Lands Operations Fund	Land Bank Trust Fund	Landowner's Recovery Fund	Survey, Infrastructure, and Development Fund	Combined Total	Eliminating	Audited
<u>Assets</u>							
Cash and cash equivalents	\$ 828	\$ 14,533,826	\$ 5,038	\$ 573,901	\$ 15,113,593	\$ -	\$ 15,113,593
Time certificates of deposit	-	324,242	-	-	324,242	-	324,242
Receivables, net	-	496,218	-	1,200	497,418	-	497,418
Leases receivable	-	2,186,458	-	8,132,980	10,319,438	-	10,319,438
Total assets	\$ 828	\$ 17,540,744	\$ 5,038	\$ 8,708,081	\$ 26,254,691	\$ -	\$ 26,254,691
<u>Liabilities, Deferred Inflows of Resources and Fund Balance</u>							
Liabilities:							
Accounts payable	\$ -	\$ 78,552	\$ -	\$ 12,069	\$ 90,621	\$ -	\$ 90,621
Due to GovGuam General Fund	-	-	-	444,462	444,462	-	444,462
Security deposits payable	-	77,410	-	-	77,410	-	77,410
Total liabilities	-	155,962	-	456,531	612,493	-	612,493
Deferred inflows of resources:							
Deferred inflows from leases	-	2,094,076	-	8,042,730	10,136,806	-	10,136,806
Total liabilities and deferred inflows of resources	-	2,250,038	-	8,499,261	10,749,299	-	10,749,299
Fund balance:							
Committed	828	15,290,706	5,038	208,820	15,505,392	-	15,505,392
Total liabilities, deferred inflows of resources and fund balance	\$ 828	\$ 17,540,744	\$ 5,038	\$ 8,708,081	\$ 26,254,691	\$ -	\$ 26,254,691

Guam Ancestral Lands Commission
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Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Year Ended September 30, 2022

	Ancestral Lands Operations Fund	Land Bank Trust Fund	Landowner's Recovery Fund	Survey, Infrastructure, and Development Fund	Combined Total	Eliminating	Audited
Revenues:							
Lease rentals:							
Base rent	\$ -	\$ 453,585	\$ -	\$ 225,714	\$ 679,299	\$ -	\$ 679,299
Participation rent	-	22,810	-	624	23,434	-	23,434
GovGuam appropriation	40,981	-	-	-	40,981	-	40,981
Interest income	1	568,884	13	130,422	699,320	-	699,320
Total revenues	40,982	1,045,279	13	356,760	1,443,034	-	1,443,034
Expenditures:							
Salaries and wages - regular	8,377	-	-	172,022	180,399	-	180,399
Management fee	-	77,937	-	49,765	127,702	-	127,702
Contractual services	8,625	-	-	79,269	87,894	-	87,894
Salaries and wages - fringe	3,456	-	-	76,806	80,262	-	80,262
Building rent	-	-	-	36,261	36,261	-	36,261
Communications	-	-	-	3,441	3,441	-	3,441
Supplies	790	-	-	1,711	2,501	-	2,501
Miscellaneous	21,656	22	15	11,289	32,982	-	32,982
Total expenditures	42,904	77,959	15	430,564	551,442	-	551,442
Excess (deficiency) of revenues over (under) expenditures	(1,922)	967,320	(2)	(73,804)	891,592	-	891,592
Other financing sources (uses):							
Transfer in from other funds	1,911	-	5	78,636	80,552	(80,552)	-
Transfer out to other funds	-	(78,636)	-	(1,916)	(80,552)	80,552	-
Other financing sources (uses), net	1,911	(78,636)	5	76,720	-	-	-
Net change in fund balances	(11)	888,684	3	2,916	891,592	-	891,592
Fund balances at beginning of year	839	14,402,022	5,035	205,904	14,613,800	-	14,613,800
Fund balances at end of year	\$ 828	\$ 15,290,706	\$ 5,038	\$ 208,820	\$ 15,505,392	\$ -	\$ 15,505,392

Guam Ancestral Lands Commission
(A Governmental Fund of the Government of Guam)

Supplemental Schedule of Employees and Salaries
Year Ended September 30, 2022

Salaries and wages – regular	<u>\$180,399</u>
Employees at end of year	5

Report of Independent Auditors 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 the 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, 2022, and the related statement of revenues, expenditures and changes in fund balance for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 24, 2024.

Report on 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 or significant deficiencies may exist that were not identified.

Report on 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Ernst + Young LLP

May 24, 2024