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Guam Ancestral Lands Commission – FY 2019 Financial Highlights

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

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

Revenues Increased by \$2.7M

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

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

Expenditures Increased by \$902K

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

Conveyance of Land Titles

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

Land Valuation

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

Land Bank Rules and Regulations

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

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

Report on Internal Control and Compliance and Management Letter

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

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

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

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

Audit Adjustments Increased Fund Balance by \$4.1M

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

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