

GUAM ANCESTRAL LANDS COMMISSION

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

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

YEARS ENDED SEPTEMBER 30, 2017 AND 2016

GUAM ANCESTRAL LANDS COMMISSION

Years Ended September 30, 2017 and 2016
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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 (the Commission), which comprise the balance sheets as of September 30, 2017 and 2016, 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 Guam Ancestral Lands Commission as of September 30, 2017 and 2016, and the results of its operations for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Reporting Entity

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

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.

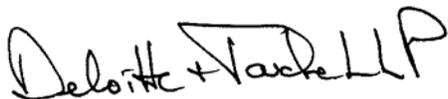
Other Information

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 Commission'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 May 8, 2018, on our consideration of the Commission'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 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 internal control over financing reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.



May 8, 2018

GUAM ANCESTRAL LANDS COMMISSION

Management's Discussion and Analysis
September 30, 2017 and 2016

INTRODUCTION

Guam Ancestral Lands Commission (GALC) is a component unit of the Government of Guam, currently located at 590 South Marine Corps Drive, Ste 303, ITC Building, Tamuning, Guam 96913.

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, 2017. The information enclosed in the MD&A has been prepared by management and it should be read in conjunction with the financial statements and notes which follow this section.

1. Financial Highlights

- Total assets exceeded total liabilities by \$5,422,319 at the close of fiscal year 2017 as compared to \$4,560,533 at the close of fiscal year 2016.
- Total assets at September 30, 2017 increased by \$1,011,979 as compared to September 30, 2016.
- Total liabilities at September 30, 2017 increased by \$150,193 as compared to September 30, 2016.
- Total fund balance at September 30, 2017 increased by \$861,786 as compared to September 30, 2016.
- Total revenues of \$1,059,946 for fiscal year 2017 increased by \$375,417 as compared to \$684,529 for fiscal year 2016. Total expenditures of \$198,160 for fiscal year 2017 increased by \$15,473 as compared to \$182,687 for fiscal year 2016. This resulted in an increase in the fund balance of \$861,786 for fiscal year 2017 as compared to \$501,842 for fiscal year 2016.

2. Overview of the Financial Statements

GALC's financial statements include all of the activities of the Ancestral Lands Operations Fund, the Land Bank Trust Fund, and the Landowner's Recovery Fund. The financial statements include a Balance Sheet and Statements of Revenues, Expenditures, and Changes in Fund Balance for Fiscal Years 2017 and 2016.

Notes to the financial statements are additional information needed to provide further understanding of the basic financial statements.

3. Financial Statement Analysis

The balance sheet discloses information on GALC's assets, liabilities, and fund balance at year-end. The condensed summary of GALC's balance sheet shown below is for the year ending on September 30, 2017 with comparisons for the years ending September 30, 2016 and 2015.

GUAM ANCESTRAL LANDS COMMISSION

Management's Discussion and Analysis, Continued
September 30, 2017 and 2016

Balance Sheets

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 4,192,316	\$ 3,355,798	\$ 2,802,778
Time certificates of deposit	1,134,316	1,117,310	1,105,000
Receivables, net	416,041	257,586	553,135
Due from GovGuam General Fund	<u>-</u>	<u>-</u>	<u>2,123</u>
Total Assets	\$ <u>5,742,673</u>	\$ <u>4,730,694</u>	\$ <u>4,463,036</u>
<u>LIABILITIES AND FUND BALANCE</u>			
Liabilities:			
Accounts payable	\$ 13,706	\$ 13,706	\$ 22,282
Accrued payroll and other liabilities	-	-	1,963
Security deposits payable	75,310	75,310	149,410
Unearned revenue	<u>231,338</u>	<u>81,145</u>	<u>230,690</u>
Total Liabilities	<u>320,354</u>	<u>170,161</u>	<u>404,345</u>
Fund balance:			
Reserved for:			
Restricted	5,421,317	4,560,525	4,058,476
Committed	<u>1,002</u>	<u>8</u>	<u>215</u>
Total Fund Balance	<u>5,422,319</u>	<u>4,560,533</u>	<u>4,058,691</u>
Total Liabilities and Fund Balance	\$ <u>5,742,673</u>	\$ <u>4,730,694</u>	\$ <u>4,463,036</u>

Total assets increased by \$1,011,979 in 2017 compared to 2016 primarily due to the increase in cash and cash equivalents, and time certificates of deposit and receivables.

Total liabilities increased by \$150,193 in 2017 compared to 2016 primarily due to the increase in unearned revenue.

Total fund balance increased by \$861,786 at the end of fiscal year 2017 due to continued lease rental revenues collected in excess of operational expenditures and the receipt from mediation of a Superior Court civil case involving GALC.

Management's Discussion and Analysis for the year ended September 30, 2016 is set forth in the report on the audit of GALC's financial statements dated May 9, 2017. That Discussion and Analysis explains the major factors impacting the 2016 financial statements and may be obtained from the contact information below.

GUAM ANCESTRAL LANDS COMMISSION

Management's Discussion and Analysis, Continued
September 30, 2017 and 2016

Statements of Revenues, Expenditures, and Changes in Fund Balances

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Revenues:			
Lease rentals:			
Base rent	\$ 707,038	\$ 554,119	\$ 495,431
Participation rent	4,862	17,895	5,763
General Fund appropriation	86,588	91,093	113,174
Interest income	21,945	21,326	26,956
Other	<u>239,513</u>	<u>96</u>	<u>1,974</u>
Total revenues	<u>1,059,946</u>	<u>684,529</u>	<u>643,298</u>
Expenditures:			
Salaries and wages – regular	38,497	49,307	60,758
Salaries and wages – fringe benefits	10,552	12,511	16,639
Health benefits	7,313	8,356	8,567
Contractual services	26,476	20,965	24,460
Management fee	97,991	83,234	71,999
Tenant Improvement Allowance	12,588	8,107	-
Miscellaneous	<u>4,743</u>	<u>207</u>	<u>2,755</u>
Total expenditures	<u>198,160</u>	<u>182,687</u>	<u>185,178</u>
Net change in fund balances	861,786	501,842	458,120
Fund balances at beginning of year	<u>4,560,533</u>	<u>4,058,691</u>	<u>3,600,571</u>
Fund balances at end of year	\$ <u>5,422,319</u>	\$ <u>4,560,533</u>	\$ <u>4,058,691</u>

Total revenues increased by \$375,417 from \$1,059,946 in 2017 compared to \$684,529 in 2016. The increase was primarily due to the increase in lease rental revenues as a result of revenue recognition under the modified accrual basis of accounting and the receipt from mediation of a Superior Court civil case involving GALC.

Total expenditures increased by \$15,473 from \$198,160 in 2017 compared to \$182,687 in 2016. The increase was primarily due to the increase in operational costs of the Commission.

4. Challenges and Accomplishments

The Guam Ancestral Lands Commission (GALC) was created through Public Law 25-45 to convey title of federal excess lands to the original land owners once returned to the Government of Guam. GALC is also known as the Land Claims Facilitator. Moreover, GALC is mandated to establish an account known as the Land Bank. The funds deposited into this account will be used to compensate original land owners who will never realize the return of their ancestral lands.

Unfortunately, the Land Bank Rules and Regulations that was completed and submitted to the Office of the Attorney General for approval in FY 2016 was not approved as to form or legality. The Land Bank Rules and Regulations lacked an economic impact statement, contradicts existing laws, and the lack of statutory guidance is an excessive delegation of legislative power.

GUAM ANCESTRAL LANDS COMMISSION

Management's Discussion and Analysis, Continued
September 30, 2017 and 2016

GALC has another fund known as the Landowner's Recovery Fund. The purpose of this fund is to grant loans, or guarantees of loans to aid landowners to defer costs or fees of professional services. GALC has been unable to commence such activities because no concrete funding source has been identified to fund the activities of granting loans and other tasks mandated.

At the year-end September 30, 2017, GALC has been operational for about eighteen (18) years and during FY 2017 GALC operated with a board of seven members and one classified employee. The numerous challenges GALC has endured in the past continue to linger. In FY 2017, GALC with the assistance of the Department of Land Management's Survey Division proposed a solution to establish public and utility access within returned lands. Unfortunately, the proposal has not been completed due to the unwillingness of several of landowners to dedicate a relatively small portion of their property for the easement. Another challenge that has not been resolved by GALC is to provide access to returned property. GALC does not have the available funds to pay for services needed.

With the lack of resources and operating with only one classified employee, GALC has benefited from the assistance and expertise from employees of the Department of Land Management (DLM) and Chamorro Land Trust Commission (CLTC). In FY 2017, GALC returned one (1) parcel containing an area of 2,441 +/- square meters. The return increased GALC's aggregate amount of land returned to 2,628.99 acres. GALC, with the assistance of DLM's Survey Division, has identified 197 lots that are pending return or classification of Crown Lands.

Also, during FY2017, GALC continued to utilize the services of the Guam Economic Development Authority (GEDA) authorized through the amended Memorandum of Understanding (MOU) of 2007. As a result, GALC paid GEDA \$97,991 in management fees. Furthermore, GALC's financial accounting system is in its 3rd year of operation and has continued to provide GALC the ability to monitor its receivables and properly record all the financial activity of GALC.

5. Outlook

The GALC Commissioners and Director will commence discussions with the Guam Legislature to address the concerns of the Attorney General's office related to the Land Bank Rules and Regulations. Furthermore, the Commissioners and Director will continue to work with the Guam Legislature to fund GALC operations from the revenue generated from commercial license payments and eliminate the financial burden on the General Fund.

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 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 the Director's office at 649-5263 ext. 612 or send an email to dlmdir@land.guam.gov.

GUAM ANCESTRAL LANDS COMMISSION

Balance Sheets
September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 4,192,316	\$ 3,355,798
Time certificates of deposit	1,134,316	1,117,310
Receivables, net	<u>416,041</u>	<u>257,586</u>
Total assets	<u>\$ 5,742,673</u>	<u>\$ 4,730,694</u>
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities:		
Accounts payable	\$ 13,706	\$ 13,706
Security deposits	75,310	75,310
Unearned revenue	<u>231,338</u>	<u>81,145</u>
Total liabilities	<u>320,354</u>	<u>170,161</u>
Commitments and contingency		
Fund balance:		
Restricted	5,421,317	4,560,525
Committed	<u>1,002</u>	<u>8</u>
Total fund balance	<u>5,422,319</u>	<u>4,560,533</u>
Total liabilities and fund balance	<u>\$ 5,742,673</u>	<u>\$ 4,730,694</u>

See accompanying notes to financial statements.

GUAM ANCESTRAL LANDS COMMISSION

Statements of Revenues, Expenditures, and Changes in Fund Balances Years Ended September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Revenues:		
Lease rentals:		
Base rent	\$ 707,038	\$ 554,119
Participation rent	4,863	17,895
GovGuam appropriation	86,588	91,093
Interest income	21,945	21,326
Other	<u>239,512</u>	<u>96</u>
Total revenues	<u>1,059,946</u>	<u>684,529</u>
Expenditures:		
Salaries and wages - regular	38,497	49,307
Salaries and wages - fringe benefits	10,552	12,511
Health benefits	7,313	8,356
Contractual services	26,476	20,965
Management fee	97,991	83,234
Tenant improvement allowance	12,588	8,107
Miscellaneous	<u>4,743</u>	<u>207</u>
Total expenditures	<u>198,160</u>	<u>182,687</u>
Net change in fund balances	861,786	501,842
Fund balances at beginning of year	<u>4,560,533</u>	<u>4,058,691</u>
Fund balances at end of year	<u>\$ 5,422,319</u>	<u>\$ 4,560,533</u>

See accompanying notes to financial statements.

GUAM ANCESTRAL LANDS COMMISSION

Notes to Financial Statements
September 30, 2017 and 2016

(1) Organization

The Guam Ancestral Lands Commission (GALC), a governmental fund of the Government of Guam (GovGuam), was established by the Guam Ancestral Lands Act of 1999 (Public Law 25-45) for the purpose of investigating, recording, filing, and reporting claims for ancestral lands, and to respond to requests for remedy from claimants, including GovGuam, for lands taken by the United States or by GovGuam on or after January 1, 1930.

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

The GALC is governed by a seven-member Board of Commissioners who must be descendants or heirs of ancestral landowners or claimants and are appointed by the Governor of Guam.

On October 6, 2011, the Governor of Guam issued Reorganization Advisory No. 5, which was later superseded by Advisory No. 9, whereby the GALC was merged into GovGuam's Department of Land Management along with the Chamorro Land Trust Commission.

(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 for the purpose of granting loans, loan guarantees or grant-in-aid to landowners, or to defer costs or fees for professional services required by those landowners or class of landowners who have ancestral land claims.

GUAM ANCESTRAL LANDS COMMISSION

Notes to Financial Statements
September 30, 2017 and 2016

(2) Summary of Significant Accounting Policies, Continued

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 CLTC'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, 2017 and 2016, the carrying amount of the GALC's cash and cash equivalents and time certificates of deposit was \$5,326,632 and \$4,473,108, respectively, and the corresponding bank balances were \$5,326,632 and \$4,473,108, respectively, which 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, 2017 and 2016, bank deposits in the amount of \$77,909 and \$86,301, respectively, were FDIC insured and bank deposits in the amount of \$500,000 and \$500,000, respectively, were NCUA insured. The GALC does not require collateralization of its cash deposits; therefore, deposit levels in excess of depository insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

GUAM ANCESTRAL LANDS COMMISSION

Notes to Financial Statements
September 30, 2017 and 2016

(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.

Interfund Receivables

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

Unearned Revenue

Unearned revenue represents base and participation rent revenues accrued which do not meet the "available" criterion for revenue recognition under the modified accrual basis of accounting.

Fund Balance

Governmental fund balances are classified as follows:

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

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 conformity 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.

GUAM ANCESTRAL LANDS COMMISSION

Notes to Financial Statements
September 30, 2017 and 2016

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards

During the year ended September 30, 2017, the GALC implemented the following pronouncements:

- GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, which aligns the reporting requirements for pensions and pension plans not covered in GASB Statements 67 and 68 with the reporting requirements in Statement 68.
- GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended*, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and addresses financial reporting requirements for governments whose employees are provided with postemployment benefits other than pensions (other postemployment benefits or OPEB).
- GASB Statement No. 77, *Tax Abatement Disclosures*, which requires governments that enter into tax abatement agreements to disclose certain information about the agreements.
- GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, which addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*.
- GASB Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*, which improves financial reporting by clarifying the financial statement presentation requirements for certain component units.
- GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*, which addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

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

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended*, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and provides guidance on reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. The provisions in Statement No. 75 are effective for fiscal years beginning after June 15, 2017. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

GUAM ANCESTRAL LANDS COMMISSION

Notes to Financial Statements
September 30, 2017 and 2016

(2) Summary of Significant Accounting Policies, Continued

In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*, which improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The provisions in Statement No. 81 are effective for fiscal years beginning after December 15, 2016. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, which addresses accounting and financial reporting for certain asset retirement obligations (AROs) associated with the retirement of a tangible capital asset. The provisions in Statement No. 83 are effective for fiscal years beginning after June 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of all state and local governments. The provisions in Statement No. 84 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*, which address practice issues that have been identified during implementation and application of certain GASB Statements including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). The provisions in Statement No. 85 are effective for fiscal years beginning after June 15, 2017. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*, which improves consistency in accounting and financial reporting for in-substance defeasance of debt. The provisions in Statement No. 86 are effective for fiscal years beginning after June 15, 2017. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In June 2017, GASB issued Statement No. 87, *Leases*, which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in Statement No. 87 are effective for fiscal years beginning after December 15, 2019. Management has yet to determine whether the implementation of this statement will have a material effect on the financial statements.

(3) Risk Management

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

GUAM ANCESTRAL LANDS COMMISSION

Notes to Financial Statements
September 30, 2017 and 2016

(4) Receivables

Receivables as of September 30, 2017 and 2016, including the applicable allowance for uncollectible accounts, are as follows:

	<u>2017</u>	<u>2016</u>
Receivables:		
Lease rental	\$ 614,821	\$ 386,572
Interest receivable	13,458	19,251
Due from Guam Economic Development Authority (GEDA)	<u>75,310</u>	<u>75,310</u>
	703,589	481,133
Less allowance for uncollectible accounts	<u>(287,548)</u>	<u>(223,547)</u>
	\$ <u>416,041</u>	\$ <u>257,586</u>

As of September 30, 2017 and 2016, lease rental receivables include \$240,000 and \$184,000, respectively, due from the Guam Environmental Protection Agency with a corresponding allowance for uncollectible accounts of \$224,000 and \$160,000, respectively.

(5) Security Deposits Payable

In accordance with ground lease agreements, certain lessees are required, upon execution of the lease agreements, to remit a security deposit to GEDA on behalf of the GALC. As of September 30, 2017 and 2016, security deposits in the amount of \$75,310 and \$75,310, respectively, are maintained by GEDA on behalf of the GALC. A liability is recorded within the accompanying financial statements representing security deposits payable to lessees offset by a corresponding receivable amount due from GEDA.

(6) Other Revenues

In September 2017, the GALC received \$238,520 as proceeds from funds in escrow as a result of the mediation in a Superior Court of Guam civil case involving the GALC.

(7) 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 Guam Department of Land Management, and the Guam Department of Public Health and Social Services. During the years ended September 30, 2017 and 2016, the GALC recognized certain on-behalf payments as contributions from GovGuam, totaling \$86,588 and \$91,093, respectively, representing certain payroll and related expenditures that GovGuam paid directly on behalf of the GALC. These expenditures were funded through appropriations from GovGuam's General Fund.

During the years ended September 30, 2017 and 2016, certain legal costs of \$18,154 and \$16,959, respectively, were incurred by the Department of Land Management on behalf of the GALC.

GUAM ANCESTRAL LANDS COMMISSION

Notes to Financial Statements
September 30, 2017 and 2016

(7) Related Party Transactions, Continued

Certain developed land supported by valid lease agreements is held as investments in land and other real estate within a permanent fund of the Government of Guam. Such investment is recorded at fair value whereas other undeveloped land not supported by lease agreements is reported at historical cost. As of September 30, 2017 and 2016, such land is valued at \$461,302,203 and \$436,097,702, respectively, of which \$8,228,805 and \$8,286,201, respectively, is held by the GALC. Fair value is based on estimated current value (primarily assessed real estate property tax valuations) and appraisals. Investments that do not have an established market are reported at estimated fair value. Earnings from lease agreements associated with these investments are reported as revenues of the GALC.

(8) 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 is as follows:

Apra Harbor Parcel No. 1 (Commissary Junction):

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

- a. Base rent of \$3,113 payable monthly in advance (\$3,405 and \$3,371 as of September 30, 2017 and 2016, respectively) on the first business day of each month escalating each year at the rate of 1%; and
- b. Participation rent of 2.5% of the tenant's gross annual revenue, as defined in the lease agreement, received by the tenant from its operation at the premises. Payment shall be made by the tenant within 90 days after the end of each fiscal year.

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

During the years ended September 30, 2017 and 2016, the GALC recognized lease base rental revenue of \$41,914 and \$37,517, respectively, and lease participation rental revenue of \$3,677 and \$14,527, respectively, associated with this lease agreement.

GUAM ANCESTRAL LANDS COMMISSION

Notes to Financial Statements
September 30, 2017 and 2016

(8) Commitments, Continued

Apra Harbor Reservation F-12 (Polaris Point):

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

- a. Initial base rent of \$25,000 adjusted to \$24,804 payable monthly in advance on the first business day of each month; and
- b. Participation rent of 2.6% of the tenant's gross monthly revenue, as defined in the lease agreement, received by the tenant each month from its operation at the premises. Payment for the previous month shall be made by the tenant on or before the 30th day of each calendar month.

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

During the years ended September 30, 2017 and 2016, the GALC recognized lease base rental revenue of \$297,650 and \$347,259, respectively, and lease participation rental revenue of \$1,186 and \$1,388, respectively, associated with this lease agreement.

In December 2010, the GALC entered into a five-year lease agreement with an option to extend for an additional five years with a tenant commencing January 1, 2011 for certain real property with an area of approximately six (6) acres. In accordance with the lease agreement, rental income from the tenant shall consist of the following:

- a. Base rent of \$18,000 payable quarterly in advance on the first business day of each calendar quarter; and
- b. Participation rent of 2.65% of the tenant's gross revenue, as defined in the lease agreement, received by the tenant each quarter from its operation at the premises. Payment shall be made by the tenant within 20 days after the end of each calendar quarter.

The base rent shall be adjusted every five 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, 2017 and 2016, the GALC recognized lease base rental revenue of \$0 and \$18,000, respectively, and lease participation rental revenue of \$0 and \$1,980, respectively, associated with this lease agreement.

In January 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 January 1, 2015, the GALC renewed the license agreement for one additional year with the same terms and conditions. During the years ended September 30, 2017 and 2016, the GALC recognized lease base rental revenue of \$7,500 and \$9,000, respectively, associated with this license agreement.

GUAM ANCESTRAL LANDS COMMISSION

Notes to Financial Statements
September 30, 2017 and 2016

(8) Commitments, Continued

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

In December 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 agreement, rental income from the tenant shall consist of the following:

- a. Initial base rent of \$27,197 payable monthly in advance on the first business day of each month commencing January 1, 2015 upon completion of the development phase and escalating every five years at the rate of 10%; and
- b. Participation rent of 2.5% of the tenant's gross monthly revenue, as defined in the lease agreement, 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.

Monthly billing started in January 2017. During the year ended September 30, 2017, the GALC recognized lease base rental revenue of \$227,607 associated with this lease agreement.

Guam Environmental Protection Authority (GEPA):

On October 3, 2005, the GALC entered into a license agreement 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 agreement, monthly base rent of \$1.00 per square foot is payable by GEPA. Subsequent to the tenth year, the monthly base rent amount shall be adjusted to equal the fair market value but not less than \$1.00 per square foot. Such fair market value shall be determined by an appraisal of the property, which shall be performed at GEPA's sole cost and expense. During the years ended September 30, 2017 and 2016, the GALC recognized lease base rental revenue of \$32,000 and \$24,000, respectively, associated with this license agreement.

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

On December 21, 2004, the GALC entered into a license agreement 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 agreement, 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, 2017 and 2016, the GALC recognized lease base rental revenue of \$100,367 and \$118,343, respectively, associated with this license agreement.

GUAM ANCESTRAL LANDS COMMISSION

Notes to Financial Statements
September 30, 2017 and 2016

(8) Commitments, Continued

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

<u>Year Ending</u> <u>September 30,</u>	
2018	\$ 839,344
2019	862,544
2020	870,555
2021	870,974
2022	871,397
2023 - 2027	4,211,619
2028 - 2032	4,175,701
2033 - 2037	4,193,122
2038 - 2042	4,134,906
2043 - 2047	4,387,062
2048 - 2052	4,663,796
2053 - 2057	4,967,532
2058 - 2062	4,355,115
2063 - 2064	<u>895,630</u>
	<u>\$ 40,299,297</u>

On July 12, 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 GEDA 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, 2017 and 2016, GEDA withheld \$84,285 and \$69,528, respectively, of all rents received as payment for GEDA services. As of September 30, 2017 and 2016, the GALC has recognized a liability of \$13,706 and \$13,706, respectively, for GEDA services relating to rent receivables collected after the respective year ends.

(9) Contingency

The GALC is party to several legal proceedings; however, the Attorney General of Guam is unable to assess the likelihood of potential liabilities related to claims outstanding as of September 30, 2017. 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, 2017

	Ancestral Lands Operations Fund	Land Bank Trust Fund	Landowner's Recovery Fund	Total
<u>ASSETS</u>				
Cash and cash equivalents	\$ 1,002	\$ 4,183,855	\$ 7,459	\$ 4,192,316
Time certificates of deposit	-	1,134,316	-	1,134,316
Receivables, net	-	416,041	-	416,041
Total assets	<u>\$ 1,002</u>	<u>\$ 5,734,212</u>	<u>\$ 7,459</u>	<u>\$ 5,742,673</u>
<u>LIABILITIES AND FUND BALANCE</u>				
Liabilities:				
Accounts payable	\$ -	\$ 13,706	\$ -	\$ 13,706
Security deposits payable	-	75,310	-	75,310
Unearned revenue	-	231,338	-	231,338
Total liabilities	-	320,354	-	320,354
Fund balance:				
Restricted	-	5,413,858	7,459	5,421,317
Committed	1,002	-	-	1,002
Total fund balance	<u>1,002</u>	<u>5,413,858</u>	<u>7,459</u>	<u>5,422,319</u>
Total liabilities and fund balance	<u>\$ 1,002</u>	<u>\$ 5,734,212</u>	<u>\$ 7,459</u>	<u>\$ 5,742,673</u>

See Accompanying Independent Auditors' Report.

GUAM ANCESTRAL LANDS COMMISSION

Combining Balance Sheet
September 30, 2016

	Ancestral Lands Operations Fund	Land Bank Trust Fund	Landowner's Recovery Fund	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 8	\$ 3,347,359	\$ 8,431	\$ 3,355,798
Time certificates of deposit	-	1,117,310	-	1,117,310
Receivables, net	<u>-</u>	<u>257,586</u>	<u>-</u>	<u>257,586</u>
Total assets	<u>\$ 8</u>	<u>\$ 4,722,255</u>	<u>\$ 8,431</u>	<u>\$ 4,730,694</u>
<u>LIABILITIES AND FUND BALANCE</u>				
Liabilities:				
Accounts payable	\$ -	\$ 13,706	\$ -	\$ 13,706
Security deposits payable	-	75,310	-	75,310
Unearned revenue	<u>-</u>	<u>81,145</u>	<u>-</u>	<u>81,145</u>
Total liabilities	<u>-</u>	<u>170,161</u>	<u>-</u>	<u>170,161</u>
Fund balance:				
Restricted	-	4,552,094	8,431	4,560,525
Committed	<u>8</u>	<u>-</u>	<u>-</u>	<u>8</u>
Total fund balance	<u>8</u>	<u>4,552,094</u>	<u>8,431</u>	<u>4,560,533</u>
Total liabilities and fund balance	<u>\$ 8</u>	<u>\$ 4,722,255</u>	<u>\$ 8,431</u>	<u>\$ 4,730,694</u>

See Accompanying Independent Auditors' Report.

GUAM ANCESTRAL LANDS COMMISSION

Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Year Ended September 30, 2017

	Ancestral Lands Operations Fund	Land Bank Trust Fund	Landowner's Recovery Fund	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Revenues:				
Lease rentals:				
Base rent	\$ -	\$ 707,038	\$ -	\$ 707,038
Participation rent	-	4,863	-	4,863
GovGuam appropriation	86,588	-	-	86,588
Interest income	3	21,922	20	21,945
Other	<u>991</u>	<u>238,520</u>	<u>1</u>	<u>239,512</u>
Total revenues	<u>87,582</u>	<u>972,343</u>	<u>21</u>	<u>1,059,946</u>
Expenditures:				
Salaries and wages - regular	38,497	-	-	38,497
Salaries and wages - fringe benefits	10,552	-	-	10,552
Health benefits	7,313	-	-	7,313
Contractual services	26,476	-	-	26,476
Management fee	-	97,991	-	97,991
Tenant improvement allowance	-	12,588	-	12,588
Miscellaneous	<u>3,750</u>	<u>-</u>	<u>993</u>	<u>4,743</u>
Total expenditures	<u>86,588</u>	<u>110,579</u>	<u>993</u>	<u>198,160</u>
Net change in fund balances	994	861,764	(972)	861,786
Fund balances at beginning of year	<u>8</u>	<u>4,552,094</u>	<u>8,431</u>	<u>4,560,533</u>
Fund balances at end of year	<u>\$ 1,002</u>	<u>\$ 5,413,858</u>	<u>\$ 7,459</u>	<u>\$ 5,422,319</u>

See Accompanying Independent Auditors' Report.

GUAM ANCESTRAL LANDS COMMISSION

Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Year Ended September 30, 2016

	Ancestral Lands Operations Fund	Land Bank Trust Fund	Landowner's Recovery Fund	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Revenues:				
Lease rentals:				
Base rent	\$ -	\$ 554,119	\$ -	\$ 554,119
Participation rent	-	17,895	-	17,895
GovGuam appropriation	91,093	-	-	91,093
Interest income	-	21,323	3	21,326
Other	<u>46</u>	<u>50</u>	<u>-</u>	<u>96</u>
Total revenues	<u>91,139</u>	<u>593,387</u>	<u>3</u>	<u>684,529</u>
Expenditures:				
Salaries and wages - regular	49,307	-	-	49,307
Salaries and wages - fringe benefits	12,511	-	-	12,511
Health benefits	8,356	-	-	8,356
Contractual services	20,965	-	-	20,965
Management fee	-	83,234	-	83,234
Tenant improvement allowance	-	8,107	-	8,107
Miscellaneous	<u>207</u>	<u>-</u>	<u>-</u>	<u>207</u>
Total expenditures	<u>91,346</u>	<u>91,341</u>	<u>-</u>	<u>182,687</u>
Net change in fund balances	(207)	502,046	3	501,842
Fund balances at beginning of year	<u>215</u>	<u>4,050,048</u>	<u>8,428</u>	<u>4,058,691</u>
Fund balances at end of year	<u>\$ 8</u>	<u>\$ 4,552,094</u>	<u>\$ 8,431</u>	<u>\$ 4,560,533</u>

See Accompanying Independent Auditors' Report.

GUAM ANCESTRAL LANDS COMMISSION

Supplemental Schedule of Employees and Salaries
Years Ended September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Salaries and wages - regular	<u>\$ 38,497</u>	<u>\$ 49,307</u>
Number of employees:		
Land Agents	1	1
Other Administrative Staff	<u>-</u>	<u>1</u>
Total number of employees	<u><u>1</u></u>	<u><u>2</u></u>

See Accompanying Independent Auditors' Report.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners
Guam Ancestral Lands Commission

We have audited, in accordance with 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 (the Commission), which comprise the balance sheet as of September 30, 2017, 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 8, 2018.

Internal Control Over Financial Reporting

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

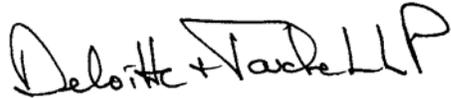
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Deloitte + Tatchell LLP". The signature is written in a cursive, slightly stylized font.

May 8, 2018

GUAM ANCESTRAL LANDS COMMISSION

Unresolved Prior Audit Findings
Year Ended September 30, 2017

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