

**GUAM ANCESTRAL LANDS COMMISSION**

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

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

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**YEARS ENDED SEPTEMBER 30, 2016 AND 2015**

**GUAM ANCESTRAL LANDS COMMISSION**

Years Ended September 30, 2016 and 2015  
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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, 2016 and 2015, 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, 2016 and 2015, 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*

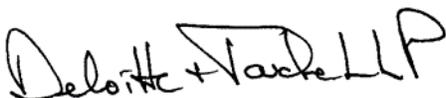
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 6 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting 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 combining financial statement information on pages 19 through 22, and the schedule of employees and salaries on page 23 are presented for purposes of additional analysis and are not a required part of the financial statements. The combining financial statement information and the schedule of employees and salaries are the responsibility of the Commission's management and were derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information 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, the combining financial statement information and the schedule of employees and salaries 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 9, 2017, 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 9, 2017

# GUAM ANCESTRAL LANDS COMMISSION

Management's Discussion and Analysis  
September 30, 2016 and 2015

## 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. GALC acts as the Land Claims Facilitator.

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, 2016. 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 \$4,560,533 at the close of fiscal year 2016 as compared to \$4,058,691 at the close of fiscal year 2015.
- Total assets at September 30, 2016 increased by \$267,658 as compared to September 30, 2015.
- Total liabilities at September 30, 2016 decreased by \$234,184 as compared to September 30, 2015.
- Total fund balance at September 30, 2016 increased by \$501,842 as compared to September 30, 2015.
- Total revenues of \$684,529 for fiscal year 2016 increased by \$41,231 as compared to \$643,298 for fiscal year 2015. Total expenditures of \$182,687 for fiscal year 2016 decreased by \$2,491 as compared to \$185,178 for fiscal year 2015. This resulted in an increase in the fund balance of \$501,842 for fiscal year 2016 as compared to \$458,120 for fiscal year 2015.

### 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 Statement of Revenues, Expenditures, and Changes in Fund Balance for Fiscal Years 2016 and 2015.

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, 2016 with comparisons for the years ending September 30, 2015 and 2014.

**GUAM ANCESTRAL LANDS COMMISSION**

Management's Discussion and Analysis  
September 30, 2016 and 2015

**Balance Sheets**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 3,355,798	\$ 2,802,778	\$ 1,413,906
Time certificates of deposit	1,117,310	1,105,000	2,100,000
Receivables, net	257,586	553,135	353,779
Due from GovGuam General Fund	<u>-</u>	<u>2,123</u>	<u>25,368</u>
Total Assets	\$ <u>4,730,694</u>	\$ <u>4,463,036</u>	\$ <u>3,893,053</u>
<u>LIABILITIES AND FUND BALANCE</u>			
Liabilities:			
Accounts payable	\$ 13,706	\$ 22,282	\$ 33,999
Accrued payroll and other liabilities	-	1,963	2,368
Security deposits payable	75,310	149,410	149,410
Unearned revenue	<u>81,145</u>	<u>230,690</u>	<u>106,705</u>
Total Liabilities	<u>170,161</u>	<u>404,345</u>	<u>292,482</u>
Fund Balance:			
Restricted	4,560,525	4,058,476	3,600,351
Committed	<u>8</u>	<u>215</u>	<u>220</u>
Total Fund Balance	<u>4,560,533</u>	<u>4,058,691</u>	<u>3,600,571</u>
Total Liabilities and Fund Balance	\$ <u>4,730,694</u>	\$ <u>4,463,036</u>	\$ <u>3,893,053</u>

Total assets increased by \$267,658 in 2016 compared to 2015 primarily due to the increase in cash and cash equivalents and time certificates of deposit offset by a decrease in receivables.

Total liabilities decreased by \$234,184 in 2016 compared to 2015 primarily due to the decrease in accounts payable, accrued payroll and other liabilities, security deposits payable, and unearned revenue.

Total fund balance increased by \$501,842 at the end of fiscal year 2016 due to continued lease rental revenues collected in excess of operational expenditures.

Management's Discussion and Analysis for the year ended September 30, 2015 is set forth in the report on the audit of GALC's financial statements dated May 13, 2016. That Discussion and Analysis explains the major factors impacting the 2015 financial statements and may be obtained from the contact information below.

## GUAM ANCESTRAL LANDS COMMISSION

Management's Discussion and Analysis  
September 30, 2016 and 2015

### Statements of Revenues, Expenditures, and Changes in Fund Balances

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Revenues:			
Lease rentals	\$ 572,014	\$ 501,194	\$ 590,889
General Fund appropriation	91,093	113,174	105,985
Interest income	21,326	26,956	43,414
Other	<u>96</u>	<u>1,974</u>	<u>142</u>
Total revenues	<u>684,529</u>	<u>643,298</u>	<u>740,430</u>
Expenditures:			
Salaries and wages – regular	49,307	60,758	56,389
Salaries and wages – fringe benefits	12,511	16,639	17,983
Health benefits	8,356	8,567	5,234
Contractual services	20,965	24,460	23,000
Management fee	83,234	71,999	84,510
Miscellaneous	<u>8,314</u>	<u>2,755</u>	<u>4,674</u>
Total expenditures	<u>182,687</u>	<u>185,178</u>	<u>191,790</u>
Net change in fund balances	501,842	458,120	548,640
Fund balances at beginning of year	<u>4,058,691</u>	<u>3,600,571</u>	<u>3,051,931</u>
Fund balances at end of year	\$ <u>4,560,533</u>	\$ <u>4,058,691</u>	\$ <u>3,600,571</u>

Total revenues increased by \$41,231 from \$684,529 in 2016 compared to \$643,298 in 2015. 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 with the increase in lease rental revenues offset by a decrease in unearned revenues.

Total expenditures decreased by \$2,491 from \$182,687 in 2016 compared to \$185,178 in 2015. The decrease was primarily due to the decrease 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. Additionally, GALC has a fund known as the Landowner's Recovery Fund. This fund was created to grant loans, or guarantees of loans to aid landowners to defer costs or fees of professional services. The GALC is comprised of a seven-member board, director, and two staff.

GALC has been operational for about 17 years at the year-end September 30, 2016. Since its creation, GALC has continuously been overwhelmed with challenges. The challenges of providing access to land returned to original landowners, establishment of public and utility access within the returned lands, and disbursement of funds to landowners who will not benefit from federal return properties. In fiscal year 2016, the Land Bank Rules and Regulations was created and submitted to the Office of the Attorney General for review as a step in the Administrative Adjudication Law process.

## GUAM ANCESTRAL LANDS COMMISSION

Management's Discussion and Analysis  
September 30, 2016 and 2015

At the conclusion of FY2016, GALC returned a total of 34.49 acres to three (3) original land owners. The properties returned are located in the Radio Barrigada and Naval Air Station Agana area. The return increased the aggregate amount of land returned to 2,628.39 acres. Also during FY2016, 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 \$83,234 in management fees.

FY2016 is the second consecutive year GALC has utilized its financial accounting system. The accounting system enabled GALC to implement a monitoring system of its accounts receivables. Furthermore, GALC, through the Advisory No. 9, has taken a proactive approach with the use of personnel from the Chamorro Land Trust Commission (CLTC) and Department of Land Management (DLM) to aggressively pursue commercial lessees/licensees with outstanding balances to prevent any potential loss of income due to uncollectable receivables.

Though FY2016 ended on a progressive tone, GALC continues to experience the challenge of providing access to returned properties because of the lack of resources. Moreover, the disbursement of Land Bank funds to original landowners who will not benefit from return properties remains a challenge because of the prolonged approval process of the Land Bank Rules and Regulations.

### 5. Outlook

The GALC Board and Director will continue to work cohesively with the Office of the Attorney General and the Guam Legislature to ensure that the board approved Land Bank Rules and Regulations is enacted in FY2017. Furthermore, management will continue work on legislation that would allow GALC to expend a percentage of commercial revenue to fund administrative costs. Also, in FY2017 management will work with DLM's Survey Division to create an Easement Masterplan that would be the initial phase in addressing the challenge of providing access to returned properties.

### 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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 3,355,798	\$ 2,802,778
Time certificates of deposit	1,117,310	1,105,000
Receivables, net	257,586	553,135
Due from GovGuam General Fund	<u>-</u>	<u>2,123</u>
Total assets	<u>\$ 4,730,694</u>	<u>\$ 4,463,036</u>
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities:		
Accounts payable	\$ 13,706	\$ 22,282
Accrued payroll and other liabilities	-	1,963
Security deposits payable	75,310	149,410
Unearned revenue	<u>81,145</u>	<u>230,690</u>
Total liabilities	<u>170,161</u>	<u>404,345</u>
Commitments and contingency		
Fund balance:		
Restricted	4,560,525	4,058,476
Committed	<u>8</u>	<u>215</u>
Total fund balance	<u>4,560,533</u>	<u>4,058,691</u>
Total liabilities and fund balance	<u>\$ 4,730,694</u>	<u>\$ 4,463,036</u>

See accompanying notes to financial statements.

## GUAM ANCESTRAL LANDS COMMISSION

### Statements of Revenues, Expenditures, and Changes in Fund Balances Years Ended September 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Revenues:		
Lease rentals:		
Base rent	\$ 554,119	\$ 495,431
Participation rent	17,895	5,763
GovGuam appropriation	91,093	113,174
Interest income	21,326	26,956
Other	<u>96</u>	<u>1,974</u>
Total revenues	<u>684,529</u>	<u>643,298</u>
Expenditures:		
Salaries and wages - regular	49,307	60,758
Salaries and wages - fringe benefits	12,511	16,639
Health benefits	8,356	8,567
Contractual services	20,965	24,460
Management fee	83,234	71,999
Tenant improvement allowance	8,107	-
Miscellaneous	<u>207</u>	<u>2,755</u>
Total expenditures	<u>182,687</u>	<u>185,178</u>
Net change in fund balances	501,842	458,120
Fund balances at beginning of year	<u>4,058,691</u>	<u>3,600,571</u>
Fund balances at end of year	<u>\$ 4,560,533</u>	<u>\$ 4,058,691</u>

See accompanying notes to financial statements.

## GUAM ANCESTRAL LANDS COMMISSION

Notes to Financial Statements  
September 30, 2016 and 2015

### (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, 2016 and 2015

### (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, 2016 and 2015, the carrying amount of the GALC's cash and cash equivalents and time certificates of deposit was \$4,473,108 and \$3,907,778, respectively, and the corresponding bank balances were \$4,473,108 and \$3,907,778, 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, 2016 and 2015, bank deposits in the amount of \$86,301 and \$86,459, 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, 2016 and 2015

### (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, 2016 and 2015

### (2) Summary of Significant Accounting Policies, Continued

#### New Accounting Standards

During the year ended September 30, 2016, the GALC implemented the following pronouncements:

- GASB Statement No. 72, *Fair Value Measurement and Application*, which addresses accounting and financial reporting issues related to fair value measurements and requires entities to expand their fair value disclosures by determining major categories of debt and equity securities within the fair value hierarchy on the basis of the nature and risk of the investment. The implementation of this statement did not have a material effect on the accompanying financial statements.
- GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which eliminates two of the four categories of authoritative GAAP that exist under the existing hierarchy prescribed by Statement No. 55. The two categories that will remain under the new standard are (1) GASB Statements and (2) GASB technical bulletins and implementation guides in addition to AICPA guidance that the GASB clears. The implementation of this statement did not have a material effect on the accompanying financial statements.
- GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, addresses for certain external investment pools and their participants the accounting and financial reporting implications that result from changes in the regulatory provisions referenced by previous accounting and financial reporting standards. Those provisions were based on the Investment Company Act of 1940, Rule 2a7. Rule 2a7 contains the Securities and Exchange Commission's regulations that apply to money market funds and were significantly amended in 2014. The implementation of this statement did not have a material effect on the accompanying financial statements.

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement No. 68*, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68, which aligns the reporting requirements for pensions and pension plans not covered in GASB Statements No. 67 and No. 68 with the reporting requirements in Statement No. 68. The provisions in Statement No. 73 are effective for fiscal years beginning after June 15, 2016. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In June 2015, GASB issued 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). The provisions in Statement No. 74 are effective for fiscal years beginning after June 15, 2016. 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, 2016 and 2015

### (2) Summary of Significant Accounting Policies, Continued

#### New Accounting Standards, Continued

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.

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*, which requires governments that enter into tax abatement agreements to disclose certain information about the agreements. The provisions in Statement No. 77 are effective for fiscal years beginning after December 15, 2015. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In December 2015, GASB issued 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*. The provisions in Statement No. 78 are effective for fiscal years beginning after December 15, 2015. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In January 2016, GASB issued 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. The provisions in Statement No. 80 are effective for fiscal years beginning after June 15, 2016. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

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 March 2016, GASB issued 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 provisions in Statement No. 82 are effective for fiscal years beginning after June 15, 2016. 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, 2016 and 2015

### (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, 2016 and 2015, including the applicable allowance for uncollectible accounts, are as follows:

	<u>2016</u>	<u>2015</u>
Receivables:		
Lease rental	\$ 386,572	\$ 448,022
Interest receivable	19,251	19,251
Due from Guam Economic Development Authority (GEDA)	<u>75,310</u>	<u>149,410</u>
	481,133	616,683
Less allowance for uncollectible accounts	<u>(223,547)</u>	<u>(63,548)</u>
	\$ <u>257,586</u>	\$ <u>553,135</u>

### (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, 2016 and 2015, security deposits in the amount of \$75,310 and \$149,410, 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) 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, and the Guam Department of Public Health and Social Services. During the years ended September 30, 2016 and 2015, the GALC recognized certain on-behalf payments as contributions from GovGuam, totaling \$91,093 and \$113,174, 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 in 2016 and GovGuam's Land Survey Revolving Fund in 2015.

## GUAM ANCESTRAL LANDS COMMISSION

Notes to Financial Statements  
September 30, 2016 and 2015

### (6) 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, 2016 and 2015, such land is valued at \$436,097,702 and \$423,752,438, respectively, of which \$8,286,201 and \$6,759,894, 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.

### (7) Commitments

The GALC has ground lease agreements with seven lessees. The agreements provide the lessees with the use of former Spanish Crown Lands and other non-ancestral lands (collectively, the "Trust Lands") conveyed by the United States federal government to GovGuam. A summary of these lease agreements 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 (\$3,371 and \$3,338 as of September 30, 2016 and 2015, 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, 2016 and 2015, the GALC recognized lease base rental revenue of \$37,517 and \$39,232, respectively, and lease participation rental revenue of \$14,527 and \$1,152, respectively, associated with this lease agreement.

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

## GUAM ANCESTRAL LANDS COMMISSION

Notes to Financial Statements  
September 30, 2016 and 2015

### (7) Commitments, Continued

Apra Harbor Reservation F-12 (Polaris Point), Continued:

- 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 30<sup>th</sup> 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, 2016 and 2015, the GALC recognized lease base rental revenue of \$347,259 and \$248,042, respectively, and lease participation rental revenue of \$1,388 and \$3,555, 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, 2016 and 2015, the GALC recognized lease base rental revenue of \$18,000 and \$72,000, respectively, and lease participation rental revenue of \$1,980 and \$1,056, 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 year ended September 30, 2016 and 2015, the GALC recognized lease rental revenue of \$9,000 and \$1,500, respectively, associated with this license agreement.

## GUAM ANCESTRAL LANDS COMMISSION

Notes to Financial Statements  
September 30, 2016 and 2015

### (7) 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.

No lease base rental revenue associated with this lease agreement was recognized by the GALC during the years ended September 30, 2016 and 2015 as the property was still under the development phase.

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, 2016 and 2015, the GALC recognized lease rental revenue of \$24,000 and \$48,000, 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, 2016 and 2015, the GALC recognized lease rental revenue of \$118,343 and \$86,657, respectively, associated with this license agreement.

**GUAM ANCESTRAL LANDS COMMISSION**

Notes to Financial Statements  
September 30, 2016 and 2015

(7) 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>	
2017	\$ 779,843
2018	861,841
2019	886,728
2020	895,302
2021	895,720
2022 - 2026	4,407,352
2027 - 2031	4,280,234
2032 - 2036	4,404,221
2037 - 2041	4,261,633
2042 - 2046	4,526,585
2047 - 2051	4,817,400
2052 - 2056	5,136,633
2057 - 2061	4,902,485
2062 - 2064	<u>1,731,486</u>
	<u>\$ 42,787,463</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, 2016 and 2015, GEDA withheld \$69,528 and \$49,877, respectively, of all rents received as payment for GEDA services. As of September 30, 2016 and 2015, the GALC has recognized a liability of \$13,706 and \$22,122, respectively, for GEDA services relating to rent receivables collected after the respective year ends.

(8) 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, 2016. 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, 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 Balance Sheet  
September 30, 2015

	Ancestral Lands Operations Fund	Land Bank Trust Fund	Landowner's Recovery Fund	Total
<u>ASSETS</u>				
Cash and cash equivalents	\$ 215	\$ 2,794,135	\$ 8,428	\$ 2,802,778
Time certificates of deposit	-	1,105,000	-	1,105,000
Receivables, net	-	553,135	-	553,135
Due from GovGuam General Fund	<u>2,123</u>	<u>-</u>	<u>-</u>	<u>2,123</u>
Total assets	<u>\$ 2,338</u>	<u>\$ 4,452,270</u>	<u>\$ 8,428</u>	<u>\$ 4,463,036</u>
<u>LIABILITIES AND FUND BALANCE</u>				
Liabilities:				
Accounts payable	\$ 160	\$ 22,122	\$ -	\$ 22,282
Accrued payroll and other liabilities	1,963	-	-	1,963
Security deposits payable	-	149,410	-	149,410
Unearned revenue	<u>-</u>	<u>230,690</u>	<u>-</u>	<u>230,690</u>
Total liabilities	<u>2,123</u>	<u>402,222</u>	<u>-</u>	<u>404,345</u>
Fund balance:				
Restricted	-	4,050,048	8,428	4,058,476
Committed	<u>215</u>	<u>-</u>	<u>-</u>	<u>215</u>
Total fund balance	<u>215</u>	<u>4,050,048</u>	<u>8,428</u>	<u>4,058,691</u>
Total liabilities and fund balance	<u>\$ 2,338</u>	<u>\$ 4,452,270</u>	<u>\$ 8,428</u>	<u>\$ 4,463,036</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
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**

Combining Statement of Revenues, Expenditures, and  
Changes in Fund Balances  
Year Ended September 30, 2015

	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	\$ -	\$ 495,431	\$ -	\$ 495,431
Participation rent	-	5,763	-	5,763
GovGuam appropriation	113,174	-	-	113,174
Interest income	-	26,954	2	26,956
Other	-	1,974	-	1,974
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total revenues	<u>113,174</u>	<u>530,122</u>	<u>2</u>	<u>643,298</u>
Expenditures:				
Salaries and wages - regular	60,758	-	-	60,758
Salaries and wages - fringe benefits	16,639	-	-	16,639
Health benefits	8,567	-	-	8,567
Contractual services	24,460	-	-	24,460
Management fee	-	71,999	-	71,999
Miscellaneous	2,755	-	-	2,755
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total expenditures	<u>113,179</u>	<u>71,999</u>	<u>-</u>	<u>185,178</u>
Net change in fund balances	(5)	458,123	2	458,120
Fund balances at beginning of year	<u>220</u>	<u>3,591,925</u>	<u>8,426</u>	<u>3,600,571</u>
Fund balances at end of year	<u>\$ 215</u>	<u>\$ 4,050,048</u>	<u>\$ 8,428</u>	<u>\$ 4,058,691</u>

See Accompanying Independent Auditors' Report.

**GUAM ANCESTRAL LANDS COMMISSION**

Supplemental Schedule of Employees and Salaries  
Years Ended September 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Salaries and wages - regular	<u>\$ 49,307</u>	<u>\$ 60,758</u>
Number of employees:		
Land Agents	1	1
Other Administrative Staff	<u>1</u>	<u>1</u>
Total number of employees	<u><u>2</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, 2016, 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 9, 2017.

### **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.

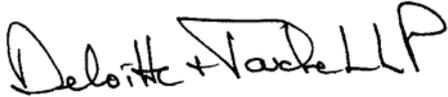
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 9, 2017

**GUAM ANCESTRAL LANDS COMMISSION**

Unresolved Prior Audit Findings  
Year Ended September 30, 2016

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