

GUAM ANCESTRAL LANDS COMMISSION

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

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

YEARS ENDED SEPTEMBER 30, 2018 AND 2017

GUAM ANCESTRAL LANDS COMMISSION

Years Ended September 30, 2018 and 2017
Table of Contents

	<u>Page No.</u>
I. INDEPENDENT AUDITORS' REPORT	1
II. MANAGEMENT'S DISCUSSION AND ANALYSIS	3
III. FINANCIAL STATEMENTS:	
Balance Sheets	7
Statements of Revenues, Expenditures and Changes in Fund Balances	8
Notes to Financial Statements	9
IV. OTHER SUPPLEMENTARY INFORMATION:	
Combining Balance Sheets	19
Combining Statements of Revenues, Expenditures, and Changes in Fund Balances	21
Supplemental Schedule of Employees and Salaries	23
V. INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS	
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 <i>Government Auditing Standards</i>	24
Unresolved Prior Year Findings	26

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, 2018 and 2017, 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, 2018 and 2017, 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.

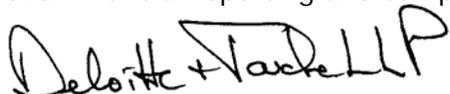
Other Information

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 March 29, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.



March 29, 2019

GUAM ANCESTRAL LANDS COMMISSION

Management's Discussion and Analysis
September 30, 2018 and 2017

INTRODUCTION

The 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 the GALC's financial activities for the fiscal year ended September 30, 2018. 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 \$8,561,786 at the close of fiscal year 2018 as compared to \$5,422,319 at the close of fiscal year 2017.
- Total assets at September 30, 2018 increased by \$3,549,144 as compared to September 30, 2017.
- Total liabilities at September 30, 2018 increased by \$409,677 as compared to September 30, 2017.
- Total fund balance at September 30, 2018 increased by \$3,139,467 as compared to September 30, 2017.
- Total revenues of \$3,334,454 for fiscal year 2018 increased by \$2,274,508 as compared to \$1,059,946 for fiscal year 2017. Total expenditures of \$194,987 for fiscal year 2018 decreased by \$3,173 as compared to \$198,160 for fiscal year 2017. This resulted in an increase in the fund balance of \$3,139,467 for fiscal year 2018 as compared to \$861,786 for fiscal year 2017.

2. Overview of the Financial Statements

The GALC's financial statements include all of the activities of Ancestral Lands Operations Fund, Land Bank Trust Fund, and Landowner's Recovery Fund. The financial statements include a Balance Sheet and Statements of Revenues, Expenditures, and Changes in Fund Balance for fiscal years 2018 and 2017.

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 the GALC's assets, liabilities, and fund balance at year-end. The condensed summary of the GALC's balance sheet shown below is for the year ending on September 30, 2018.

ASSETS

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 3,135,820	\$ 4,192,316
Time certificate of deposit	5,246,913	1,134,316
Receivables, net	<u>909,084</u>	<u>416,041</u>
Total assets	\$ <u>9,291,817</u>	\$ <u>5,742,673</u>

GUAM ANCESTRAL LANDS COMMISSION

Management's Discussion and Analysis, Continued
September 30, 2018 and 2017

3. Financial Statement Analysis, Continued

LIABILITIES AND FUND BALANCE

	<u>2018</u>	<u>2017</u>
Liabilities:		
Accounts payable	\$ 27,655	\$ 13,706
Security deposits payable	75,310	75,310
Unearned revenue	<u>627,066</u>	<u>231,338</u>
Total liabilities	<u>730,031</u>	<u>320,354</u>
Fund balance:		
Restricted	8,558,971	5,421,317
Committed	<u>2,815</u>	<u>1,002</u>
Total fund balance	<u>8,561,786</u>	<u>5,422,319</u>
Total liabilities and fund balance	\$ <u>9,291,817</u>	\$ <u>5,742,673</u>

Total assets increased by \$3,549,144 in 2018 compared to 2017 primarily due to the increase in time certificates of deposit and receivables.

Total liabilities increased by \$409,677 in 2018 compared to 2017 primarily due to the increase of accounts payable and deferred revenue.

GALC does not hold land or equipment and does not assume long-term debt.

Total fund balance increased by \$3,139,467 at the end of fiscal year 2018 due to the following:

- An increase in time certificate of deposit
- An increase in receivables

Statements of Revenues, Expenditures, and Changes in Fund Balances

	<u>2018</u>	<u>2017</u>
REVENUES:		
Lease rentals:		
Base rent	\$ 728,248	\$ 707,038
Participation rent	819	4,862
General Fund appropriation	91,093	86,588
Proceeds from sale of land	2,490,000	-
Interest income	22,239	21,945
Other	<u>2,055</u>	<u>239,513</u>
Total revenues	<u>3,334,454</u>	<u>1,059,946</u>

GUAM ANCESTRAL LANDS COMMISSION

Management's Discussion and Analysis, Continued
September 30, 2018 and 2017

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

	<u>2018</u>	<u>2017</u>
EXPENDITURES:		
Salaries and wages – regular	39,944	38,497
Salaries and wages – fringe benefits	11,116	10,552
Health benefits	7,384	7,313
Contractual services	26,784	26,476
Management fee	105,704	97,991
Tenant Improvement Allowance	-	12,588
Miscellaneous	<u>4,055</u>	<u>4,743</u>
Total expenditures	<u>194,987</u>	<u>198,160</u>
Net change in fund balances	3,139,467	861,786
Fund balances at beginning of year	<u>5,422,319</u>	<u>4,560,533</u>
Fund balances at end of year	\$ <u>8,561,786</u>	\$ <u>5,422,319</u>

Total revenues in FY2018 increased by \$2,274,508 to \$3,334,454 in 2018 compared to \$1,059,946 in 2017. The increase was primarily due to the proceeds received from sale of land to Guam Waterworks Authority.

Total expenditures in FY2018 decreased marginally by \$3,173 to \$194,987 in 2018 compared to \$198,160 in 2017. The decrease was primarily due to the decrease in tenant improvement allowance.

4. Challenges and Accomplishments

The 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. The GALC is also known as the Land Claims Facilitator. Moreover, the GALC is mandated to establish an account known as the Land Bank. The funds deposited into this account will be used to compensate original land owners who will never realize the return of their ancestral lands. Another fund under the custody of the GALC is known as the Landowner's Recovery Fund. Money available within this fund is for the purpose of granting loans, guarantees of loans to aid landowners to defer costs or fees of professional services. Unfortunately, the GALC has been unable to begin such activities because of the lack of staff and a committed funding source.

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

At the year-end September 30, 2017, the GALC operated with a board of seven members and one classified employee. The GALC with the assistance of Department of Land Management (DLM) was able to return Lot No. 201 in the Municipality of Piti, containing an area of 36,208 +/- square meters and Lot No. 5294, Municipality of Barrigada containing an area of 20,979 +/- square meters. The return increased the GALC's aggregate amount of land returned to 2,637.94 acres.

GUAM ANCESTRAL LANDS COMMISSION

Management's Discussion and Analysis, Continued
September 30, 2018 and 2017

4. Challenges and Accomplishments

Also, throughout FY2018, the 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, the GALC paid GEDA \$105,704 in management fees.

The GALC continues to struggle to provide easements to returned property. This issue is attributed to the lack of resources to compensate for services and the unwillingness of property owners to dedicate a relatively small portion of their property for easement.

5. Outlook

The GALC Commissioners and Executive Director will continue dialogue with the Guam Legislature to address the concerns of the Attorney General's office related to the Land Bank Rules and Regulations.

6. Contacting the Guam Ancestral Lands Commission Financial Management

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

GUAM ANCESTRAL LANDS COMMISSION

Balance Sheets
September 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 3,135,820	\$ 4,192,316
Time certificate of deposit	5,246,913	1,134,316
Receivables, net	<u>909,084</u>	<u>416,041</u>
Total assets	<u>\$ 9,291,817</u>	<u>\$ 5,742,673</u>
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities:		
Accounts payable	\$ 27,655	\$ 13,706
Security deposits payable	75,310	75,310
Unearned revenue	<u>627,066</u>	<u>231,338</u>
Total liabilities	<u>730,031</u>	<u>320,354</u>
Commitments and contingency		
Fund balance:		
Restricted	8,558,971	5,421,317
Committed	<u>2,815</u>	<u>1,002</u>
Total fund balance	<u>8,561,786</u>	<u>5,422,319</u>
Total liabilities and fund balance	<u>\$ 9,291,817</u>	<u>\$ 5,742,673</u>

See accompanying notes to financial statements.

GUAM ANCESTRAL LANDS COMMISSION

Statements of Revenues, Expenditures, and Changes in Fund Balances
Years Ended September 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Revenues:		
Lease rentals:		
Base rent	\$ 728,248	\$ 707,038
Participation rent	819	4,862
GovGuam appropriation	91,093	86,588
Proceeds from sale of land	2,490,000	-
Interest income	22,239	21,945
Other	<u>2,055</u>	<u>239,513</u>
Total revenues	<u>3,334,454</u>	<u>1,059,946</u>
Expenditures:		
Salaries and wages - regular	39,944	38,497
Salaries and wages - fringe benefits	11,116	10,552
Health benefits	7,384	7,313
Contractual services	26,784	26,476
Management fee	105,704	97,991
Tenant improvement allowance	-	12,588
Miscellaneous	<u>4,055</u>	<u>4,743</u>
Total expenditures	<u>194,987</u>	<u>198,160</u>
Net change in fund balances	3,139,467	861,786
Fund balances at beginning of year	<u>5,422,319</u>	<u>4,560,533</u>
Fund balances at end of year	<u>\$ 8,561,786</u>	<u>\$ 5,422,319</u>

See accompanying notes to financial statements.

GUAM ANCESTRAL LANDS COMMISSION

Notes to Financial Statements
September 30, 2018 and 2017

(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 (DLM) along with the Chamorro Land Trust Commission.

On January 16, 2019, the Governor of Guam issued Executive Order 2019-01 re-establishing the GALC as a separate agency from DLM and the re-establishment of its Administrative Director position.

(2) Summary of Significant Accounting Policies

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

Measurement Focus and Basis of Accounting

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

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

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

GUAM ANCESTRAL LANDS COMMISSION

Notes to Financial Statements
September 30, 2018 and 2017

(2) Summary of Significant Accounting Policies, Continued

Measurement Focus and Basis of Accounting, Continued

- The Landowner's Recovery Fund - this fund was created for the purpose of accounting of granting loans, loan guarantees or grant-in-aid to landowners, or to defer costs or fees for professional services required by those landowners or class of landowners who have ancestral land claims.
- The Survey, Infrastructure and Development Fund - this fund was created for the purpose of accounting for the proceeds of lease revenues earned from all leases of Apra Harbor Reservation F-12 and Parcel N14-1 (the Polaris Point parcels) under the jurisdiction of the GALC. This fund shall be used for the surveying and mapping, purchase and installation of infrastructure, including paved access roads and commercial development, of the GALC properties, and for the administrative, operational, and financial support of these efforts.

Basis of Presentation

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

The modified accrual basis of accounting is used by 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.

GUAM ANCESTRAL LANDS COMMISSION

Notes to Financial Statements
September 30, 2018 and 2017

(2) Summary of Significant Accounting Policies, Continued

Cash and Cash Equivalents and Time Certificates of Deposit, Continued

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, 2018 and 2017, the carrying amount of the GALC's cash and cash equivalents and time certificates of deposit was \$8,382,732 and \$5,326,632, respectively, and the corresponding bank balances were \$8,382,732 and \$5,326,632, 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, 2018 and 2017, bank deposits in the amount of \$77,976 and 77,909, 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.

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.

GUAM ANCESTRAL LANDS COMMISSION

Notes to Financial Statements
September 30, 2018 and 2017

(2) Summary of Significant Accounting Policies, Continued

Fund Balance, Continued

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

A formal minimum fund balance policy has not been adopted.

Management Estimates

The preparation of financial statements in 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.

New Accounting Standards

During the year ended September 30, 2018, the GALC implemented the following pronouncements:

- GASB 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.
- GASB 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.
- GASB 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).
- GASB Statement No. 86, *Certain Debt Extinguishment Issues*, which improves consistency in accounting and financial reporting for in-substance defeasance of debt.

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

GUAM ANCESTRAL LANDS COMMISSION

Notes to Financial Statements
September 30, 2018 and 2017

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

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 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.

In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. The provisions in Statement No. 88 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 June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The provisions in Statement No. 89 are effective for fiscal years beginning after December 15, 2019. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61*, which improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and the relevance of financial statement information for certain component units. The provisions in Statement No. 90 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.

(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, 2018 and 2017

(4) Receivables

Receivables as of September 30, 2018 and 2017, including the applicable allowance for uncollectible accounts, are as follows:

	<u>2018</u>	<u>2017</u>
Receivables:		
Lease rental	\$ 1,029,668	\$ 614,821
Interest receivable	89,789	13,458
Due from General Fund	1,865	-
Due from Guam Economic Development Authority (GEDA)	<u>75,310</u>	<u>75,310</u>
	1,196,632	703,589
Less allowance for uncollectible accounts	<u>(287,548)</u>	<u>(287,548)</u>
	<u>\$ 909,084</u>	<u>\$ 416,041</u>

As of September 30, 2018 and 2017, lease rental receivables include \$320,000 and \$240,000, respectively, due from the Guam Environmental Protection Agency with a corresponding allowance for uncollectible accounts of \$224,000 and \$224,000, respectively.

(5) Security Deposits Payable

Certain lessees are required, upon execution of the lease to remit a security deposit to GEDA on behalf of the GALC. As of September 30, 2018 and 2017, 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 due from GEDA.

(6) Other Revenues

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

(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, 2018 and 2017, the GALC recognized certain on-behalf payments as contributions from GovGuam, totaling \$91,093 and \$86,588, 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, 2018 and 2017, certain legal costs of \$24,259 and \$18,154, respectively, were incurred by the Department of Land Management on behalf of the GALC.

GUAM ANCESTRAL LANDS COMMISSION

Notes to Financial Statements
September 30, 2018 and 2017

(7) Related Party Transactions, Continued

Certain developed land supported by valid leases 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 leases is reported at historical cost. As of September 30, 2018 and 2017, such land is valued at \$458,751,008 and \$461,302,203, respectively, of which \$6,702,885 and \$8,228,805, 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 leases associated with these investments are reported as revenues of the GALC.

In September 2018, the GALC received \$2,490,000 as proceeds of sale of land to Guam Waterworks Authority. The transfer was approved through Public Law 33-198 which covers an area of 70,000 square meters for the purpose of construction of the upgrade and expansion of the Northern District Wastewater Treatment Plant.

(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 (\$3,439 and \$3,405 as of September 30, 2018 and 2017, 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, 2018 and 2017, the GALC recognized lease base rental revenue of \$41,930 and \$41,914, respectively, and lease participation rental revenue of \$0 and \$3,677, respectively, associated with this lease.

GUAM ANCESTRAL LANDS COMMISSION

Notes to Financial Statements
September 30, 2018 and 2017

(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, 2018 and 2017, the GALC recognized lease base rental revenue of \$297,650 and \$297,650, respectively, and lease participation rental revenue of \$819 and \$1,186, 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 June 1, 2017, the GALC renewed the license for one additional year with the same terms and conditions. During the years ended September 30, 2018 and 2017, the GALC recognized lease base rental revenue of \$6,000 and \$7,500, respectively, associated with this license.

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, 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, 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 years ended September 30, 2018 and 2017, the GALC recognized lease base rental revenue of \$185,867 and \$227,607, respectively associated with this lease.

GUAM ANCESTRAL LANDS COMMISSION

Notes to Financial Statements
September 30, 2018 and 2017

(8) Commitments, Continued

Guam Environmental Protection Authority (GEPA):

On October 3, 2005, the GALC entered into a license renewable annually for a period not to exceed thirty (30) years to occupy and use a portion of Lot No. 2276 consisting of a building, a parking lot and common area with an area of approximately 8,000 square feet. In accordance with the license, monthly base rent of \$1.00 per square foot is payable by GEPA. Subsequent to the tenth year, the monthly base rent amount shall be adjusted to equal the fair market value but not less than \$1.00 per square foot. Such fair market value shall be determined by an appraisal of the property, which shall be performed at GEPA's sole cost and expense. During the years ended September 30, 2018 and 2017, the GALC recognized lease base rental revenue of \$96,000 and \$32,000, respectively, associated with this license.

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

On December 21, 2004, the GALC entered into a license renewable annually for a period not to exceed ten (10) years to occupy and use a portion of Lot No. 2276 consisting of a building, a parking lot and common area with an area of approximately 8,000 square feet. In accordance with the license, monthly base rent of \$1.00 per square foot is payable by DPHSS. Subsequent to the initial year, the monthly base rent amount shall be adjusted to equal the fair market value but not less than \$1.00 per square foot. Such fair market value shall be determined by an appraisal of the property, which shall be performed at DPHSS sole cost and expense. Effective January 1, 2015, the GALC exercised the option to extend the license agreement for an additional period of ten (10) years upon the same terms and conditions with monthly base rent of \$1.05 per square foot. During the years ended September 30, 2018 and 2017, the GALC recognized lease base rental revenue of \$100,800 and \$100,367, respectively, associated with this agreement.

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

<u>Year Ending</u> <u>September 30,</u>	
2019	\$ 862,544
2020	870,555
2021	870,974
2022	871,397
2023	871,824
2024 - 2028	4,146,444
2029 - 2033	4,214,781
2034 - 2038	4,139,996
2039 - 2043	4,181,949
2044 - 2048	4,438,684
2049 - 2053	4,720,448
2054 - 2058	5,004,111
2059 - 2063	4,087,118
2064	<u>179,126</u>
	\$ <u>39,459,951</u>

GUAM ANCESTRAL LANDS COMMISSION

Notes to Financial Statements
September 30, 2018 and 2017

(8) Commitments, Continued

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, 2018 and 2017, GEDA withheld \$69,677 and \$84,285, respectively, of all rents received as payment for GEDA services. As of September 30, 2018 and 2017, the GALC has recognized a liability of \$27,655 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.

(10) Subsequent Event

On January 16, 2019, the Governor of Guam issued Executive Order 2019-01 re-establishing the GALC as a separate agency from the DLM and the re-establishment of its Administrative Director position.

GUAM ANCESTRAL LANDS COMMISSION

Combining Balance Sheet
September 30, 2018

	Ancestral Lands Operations Fund	Land Bank Trust Fund	Landowner's Recovery Fund	Survey, Infrastructure, and Development Fund	Combined Total	Eliminating Entries	Total
<u>ASSETS</u>							
Cash and cash equivalents	\$ 950	\$ 3,102,464	\$ 7,487	\$ 24,919	\$ 3,135,820	\$ -	\$ 3,135,820
Time certificates of deposit	-	5,246,913	-	-	5,246,913	-	5,246,913
Receivables, net	1,865	783,036	-	124,183	909,084	-	909,084
Due from the Land Bank Trust Fund	-	-	-	36,947	36,947	(36,947)	-
Total assets	<u>\$ 2,815</u>	<u>\$ 9,132,413</u>	<u>\$ 7,487</u>	<u>\$ 186,049</u>	<u>\$ 9,328,764</u>	<u>\$ (36,947)</u>	<u>\$ 9,291,817</u>
<u>LIABILITIES AND FUND BALANCE</u>							
Liabilities:							
Accounts payable	\$ -	\$ 23,347	\$ -	\$ 4,308	\$ 27,655	\$ -	\$ 27,655
Due to the Survey, Infrastructure, and Development Fund	-	36,947	-	-	36,947	(36,947)	-
Security deposits payable	-	75,310	-	-	75,310	-	75,310
Unearned revenue	-	532,469	-	94,597	627,066	-	627,066
Total liabilities	-	668,073	-	98,905	766,978	(36,947)	730,031
Fund balance:							
Restricted	-	8,464,340	7,487	87,144	8,558,971	-	8,558,971
Committed	2,815	-	-	-	2,815	-	2,815
Total fund balance	<u>2,815</u>	<u>8,464,340</u>	<u>7,487</u>	<u>87,144</u>	<u>8,561,786</u>	<u>-</u>	<u>8,561,786</u>
Total liabilities and fund balance	<u>\$ 2,815</u>	<u>\$ 9,132,413</u>	<u>\$ 7,487</u>	<u>\$ 186,049</u>	<u>\$ 9,328,764</u>	<u>\$ (36,947)</u>	<u>\$ 9,291,817</u>

See Accompanying Independent Auditors' Report.

GUAM ANCESTRAL LANDS COMMISSION

Combining Balance Sheet
September 30, 2017

	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	\$ 1,002	\$ 4,183,855	\$ 7,459	\$ 4,192,316
Time certificates of deposit	-	1,134,316	-	1,134,316
Receivables, net	<u>-</u>	<u>416,041</u>	<u>-</u>	<u>416,041</u>
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	<u>-</u>	<u>231,338</u>	<u>-</u>	<u>231,338</u>
Total liabilities	<u>-</u>	<u>320,354</u>	<u>-</u>	<u>320,354</u>
Fund balance:				
Restricted	-	5,413,858	7,459	5,421,317
Committed	<u>1,002</u>	<u>-</u>	<u>-</u>	<u>1,002</u>
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 Statement of Revenues, Expenditures, and
Changes in Fund Balances
Year Ended September 30, 2018

	Ancestral Lands Operations Fund	Land Bank Trust Fund	Landowner's Recovery Fund	Survey, Infrastructure, and Development Fund	Total
Revenues:					
Lease rentals:					
Base rent	\$ -	\$ 627,031	\$ -	\$ 101,217	\$ 728,248
Participation rent	-	572	-	247	819
GovGuam appropriation	91,093	-	-	-	91,093
Proceeds from sale of land	-	2,490,000	-	-	2,490,000
Interest income	3	22,203	23	10	22,239
Other	-	2,000	5	50	2,055
Total revenues	<u>91,096</u>	<u>3,141,806</u>	<u>28</u>	<u>101,524</u>	<u>3,334,454</u>
Expenditures:					
Salaries and wages - regular	39,944	-	-	-	39,944
Salaries and wages - fringe benefits	11,116	-	-	-	11,116
Health benefits	7,384	-	-	-	7,384
Contractual services	26,784	-	-	-	26,784
Management fee	-	91,324	-	14,380	105,704
Miscellaneous	4,055	-	-	-	4,055
Total expenditures	<u>89,283</u>	<u>91,324</u>	<u>-</u>	<u>14,380</u>	<u>194,987</u>
Net change in fund balances	1,813	3,050,482	28	87,144	3,139,467
Fund balances at beginning of year	<u>1,002</u>	<u>5,413,858</u>	<u>7,459</u>	<u>-</u>	<u>5,422,319</u>
Fund balances at end of year	<u>\$ 2,815</u>	<u>\$ 8,464,340</u>	<u>\$ 7,487</u>	<u>\$ 87,144</u>	<u>\$ 8,561,786</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	-	4,862	-	4,862
GovGuam appropriation	86,588	-	-	86,588
Interest income	3	21,922	20	21,945
Other	991	238,521	1	239,513
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total revenues	87,582	972,343	21	1,059,946
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	3,750	-	993	4,743
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenditures	86,588	110,579	993	198,160
Net change in fund balances	994	861,764	(972)	861,786
Fund balances at beginning of year	8	4,552,094	8,431	4,560,533
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund balances at end of year	\$ 1,002	\$ 5,413,858	\$ 7,459	\$ 5,422,319
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

See Accompanying Independent Auditors' Report.

GUAM ANCESTRAL LANDS COMMISSION

Supplemental Schedule of Employees and Salaries
Years Ended September 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Salaries and wages - regular	<u>\$ 39,944</u>	<u>\$ 38,497</u>
Number of employees:		
Land Agents	<u>1</u>	<u>1</u>
Total number of employees	<u><u>1</u></u>	<u><u>1</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, 2018, and the related statement of revenues, expenditures and changes in fund balance for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 29, 2019.

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.

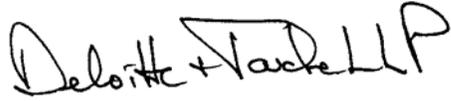
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

March 29, 2019

GUAM ANCESTRAL LANDS COMMISSION

Unresolved Prior Audit Findings
Year Ended September 30, 2018

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