

**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, 2013 AND 2012**

**GUAM ANCESTRAL LANDS COMMISSION**

Years Ended September 30, 2013 and 2012  
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## **INDEPENDENT AUDITORS' REPORT**

Ms. Anita F. Orlino  
Chairperson  
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, 2013 and 2012, 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, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

### ***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, 2013 and 2012, 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 4 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic 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 basic financial statements, and other knowledge we obtained during our audits of the basic 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*

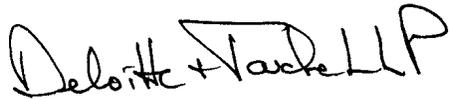
Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Commission's basic financial statements. The combining financial statement information on pages 20 through 23, and the schedule of employees and salaries on page 24 are presented for purposes of additional analysis and are not a required part of the basic 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 relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The schedule of employees and salaries on page 24 has not been subjected to the auditing procedures applied in the audits of the basic 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 December 29, 2014, 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.

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

December 29, 2014

# GUAM ANCESTRAL LANDS COMMISSION

## Management's Discussion and Analysis September 30, 2013 and 2012

### INTRODUCTION

Guam Ancestral Lands Commission (GALC) is a component unit of the Government of Guam, currently located in Tamuning, Suite 303, 3<sup>rd</sup> floor of the ITC Building. GALC acts as the Land Claims Facilitator.

The GALC's Management's Discussion and Analysis (MD&A) provides an overview of the GALC's financial activities for the fiscal years ended September 30, 2013 and 2012. 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 \$3,051,931 at the close of fiscal year 2013 as compared to \$2,454,828 at the close of fiscal year 2012.
- Total assets at September 30, 2013 increased by \$568,880 as compared to September 30, 2012.
- Total liabilities at September 30, 2013 decreased by \$28,223 as compared to September 30, 2012.
- Total fund balance at September 30, 2013 increased by \$597,103 as compared to September 30, 2012.
- Total revenues of \$789,312 for fiscal year 2013 decreased by \$356,309 as compared to \$1,145,621 for fiscal year 2012. Total expenditures of \$192,209 for fiscal year 2013 decreased by \$220,563 as compared to \$412,772 for fiscal year 2012. This resulted in an increase in the fund balance of \$597,103 for fiscal year 2013 as compared to \$732,849 for fiscal year 2012.

### 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 2013 and 2012.

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 is shown below as of September 30, 2013, 2012 and 2011.

	<u>2013</u>	<u>2012</u>	<u>2011</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,941,911	\$ 2,190,015	\$ 1,667,056
Time certificate of deposit	1,000,000	-	-
Receivables, net	328,116	508,858	546,227
Other assets	<u>2,455</u>	<u>4,729</u>	<u>3,968</u>
Total assets	<u>\$ 3,272,482</u>	<u>\$ 2,703,602</u>	<u>\$ 2,217,251</u>

**GUAM ANCESTRAL LANDS COMMISSION**

Management's Discussion and Analysis  
September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b><u>LIABILITIES AND FUND BALANCE</u></b>			
Liabilities:			
Accounts payable and other	\$ 18,369	\$ 48,916	\$ 13,132
Security deposits payable	132,213	127,213	127,213
Deferred revenue	<u>69,969</u>	<u>72,645</u>	<u>354,927</u>
Total liabilities	220,551	248,774	495,272
Fund balance	<u>3,051,931</u>	<u>2,454,828</u>	<u>1,721,979</u>
Total liabilities and fund balance	<u>\$ 3,272,482</u>	<u>\$ 2,703,602</u>	<u>\$ 2,217,251</u>

Total assets increased by \$486,351 in 2012 compared to 2011 and further increased by \$568,880 in 2013 compared to 2012 primarily due to the increase in cash and cash equivalents and time certificates of deposit.

Total liabilities decreased by \$246,498 in 2012 compared to 2011 and further decreased by \$28,223 in 2013 compared to 2012 primarily due to the change in deferred revenue.

Total fund balance increased by \$732,849 from 2011 to 2012 and further increased by \$597,103 from 2012 to 2013 due to the following:

- An increase in cash and cash equivalents and time certificates of deposit.
- A decrease in liabilities more specifically accounts payable, accrued payroll, and deferred revenue.

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Revenues:			
Lease rentals payments	\$ 675,218	\$ 956,141	\$ 696,238
General fund appropriations	92,185	179,155	215,076
Other	<u>21,909</u>	<u>10,325</u>	<u>4,820</u>
	789,312	1,145,621	916,134
Expenditures	<u>192,209</u>	<u>412,772</u>	<u>323,530</u>
Change in fund balance	597,103	732,849	592,604
Fund Balance - beginning	<u>2,454,828</u>	<u>1,721,979</u>	<u>1,129,375</u>
Fund Balance - ending	<u>\$ 3,051,931</u>	<u>\$ 2,454,828</u>	<u>\$ 1,721,979</u>

Total revenues increased by \$229,487 in 2012 compared to 2011 and decreased by \$356,309 in 2013 compared to 2012. The change in revenues between 2012 and 2011 and between 2013 and 2012 was primarily due to revenue recognition over lease rental payments as well as a general reduction in General Fund appropriations due to the issuance of Reorganization Advisory No. 5 and 9 by the Governor of Guam merging the operations of the GALC into GovGuam's Department of Land Management.

## **GUAM ANCESTRAL LANDS COMMISSION**

### **Management's Discussion and Analysis September 30, 2013 and 2012**

Total expenditures increased by \$89,242 in 2012 compared to 2011 and decreased by \$220,563 in 2013 compared to 2012. The change in expenditures between 2012 and 2011 was primarily due to payment of court judgment of \$92,641. The change in expenditures between 2013 and 2012 reflects cost savings associated with the implementation of Reorganization Advisory No. 5, as superseded by Advisory No. 9.

#### **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. Also, the GALC is 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. Additionally, the Land Bank GALC has a fund known as the Landowner's Recovery Fund. This fund was created to grant loans, or guarantees of loans or grants in aid to landowners to defer costs or fees of professional services. The GALC is comprised of a 7 member board, director, and two staff.

Since its creation, the GALC has faced many challenges such as no Land Bank Rules and Regulations in regards to the processing of just compensation to unfortunate families who will not benefit from returned ancestral property. Also, access to properties returned, zoning of properties returned, accountability of commercial lease revenues, and funding are all challenges that have plagued the GALC.

From the time of creation until the end of 2013, the GALC has returned 2,482.80 acres to the original land owners. Also, the GALC executed one new commercial license in 2013 bringing the total amount of commercial licenses to seven. As a result of the limited availability of staff, the inability to effectively account for revenues, and the inability to execute commercial leases and other related commercial matters, the GALC entered into a Memorandum of Understanding (MOU) in 2006 with the Guam Economic Development Authority (GEDA). Through this MOU, the GALC was to pay GEDA for their services rendered based on 1% of the annual ground rent on leases of Trust Lands and ½ of one percent of the participation rent paid by all developers and/or lessees of Trust Lands. The GALC did not pay any amount under this MOU. In April of 2007, the MOU was amended. More specifically, the payment terms were amended whereby the GALC would compensate GEDA for services rendered and pay a management fee based on 14.3% of annual ground rent collected and 20% of participation rent collected. This resulted in the GALC paying GEDA management fees of \$97,861 in 2013 and \$137,610 in 2012.

Also in 2013, the GALC Board Commissioners have been working cohesively and diligently on creating the Land Bank Rules and Regulations to determine the method of distribution of generated revenue and qualification standards. Through the merger of the GALC into the Department of Land Management, the attorney assigned to the Department is able to provide advice to the Board Commissioners which will ensure that all legal aspects and equality is exercised during the course of finalizing the Rules and Regulations.

Another accomplishment in 2013 was the need to address the accessibility problems original land owners experienced from returned property that is land locked. The GALC Board decided that all returned lands be appropriately delineated with easements so no land being returned is land locked. While the accomplishments in 2013 have been overwhelming, it is still evident that challenges persist. The GALC continues to struggle in getting additional lands to be released by the federal government. This is a result of the lack of staff and expertise available.

# **GUAM ANCESTRAL LANDS COMMISSION**

Management's Discussion and Analysis  
September 30, 2013 and 2012

## **5. Outlook**

The GALC Board Commissioners envision that the Land Bank Rules and Regulations should be in final form in the near future. Also, management will work with the administration to increase funding levels to recruit needed personnel.

## **6. Contacting the Guam Ancestral Lands Commission Financial Management**

This report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of 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. 600 or email your request to [dlmdir@dlim.guam.gov](mailto:dlmdir@dlim.guam.gov).

# GUAM ANCESTRAL LANDS COMMISSION

## Balance Sheets September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 1,941,911	\$ 2,190,015
Time certificate of deposit	1,000,000	-
Receivables, net	328,116	508,858
Due from GovGuam General Fund	<u>2,455</u>	<u>4,729</u>
Total assets	<u>\$ 3,272,482</u>	<u>\$ 2,703,602</u>
<u>LIABILITIES AND FUND BALANCES</u>		
Liabilities:		
Accounts payable	\$ 17,364	\$ 45,585
Accrued payroll and other liabilities	1,005	3,331
Security deposits payable	132,213	127,213
Deferred revenue	<u>69,969</u>	<u>72,645</u>
Total liabilities	<u>220,551</u>	<u>248,774</u>
Commitments and contingencies		
Fund balances:		
Reserved for:		
Restricted	3,051,488	2,453,988
Committed	<u>443</u>	<u>840</u>
Total fund balances	<u>3,051,931</u>	<u>2,454,828</u>
Total liabilities and fund balances	<u>\$ 3,272,482</u>	<u>\$ 2,703,602</u>

See Accompanying Notes to Financial Statements.

**GUAM ANCESTRAL LANDS COMMISSION**

Statements of Revenues, Expenditures, and Changes in Fund Balances  
Years Ended September 30, 2013 and 2012

	2013	2012
Revenues:		
Lease rentals:		
Base rent	\$ 652,330	\$ 940,716
Participation rent	17,888	15,425
Other	5,000	-
General Fund appropriation	92,185	179,155
Interest income	21,643	3,033
Other	266	7,292
Total revenues	789,312	1,145,621
Expenditures:		
Salaries and wages - regular	60,579	123,096
Salaries and wages - fringe benefits	17,170	37,833
Health benefits	6,933	10,170
Contractual services	826	1,137
Supplies	727	3,400
Utilities - power and water	-	2,387
Communications	-	1,132
Management fee	97,861	137,610
Miscellaneous	8,113	96,007
Total expenditures	192,209	412,772
Net change in fund balances	597,103	732,849
Fund balances at beginning of year	2,454,828	1,721,979
Fund balances at end of year	\$ 3,051,931	\$ 2,454,828

See Accompanying Notes to Financial Statements.

## GUAM ANCESTRAL LANDS COMMISSION

Notes to Financial Statements  
September 30, 2013 and 2012

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

## GUAM ANCESTRAL LANDS COMMISSION

Notes to Financial Statements  
September 30, 2013 and 2012

### (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 GALC'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 are defined as cash in checking and savings accounts with maturity dates 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 sheet. As of September 30, 2013 and 2012, the carrying amount of the GALC's cash and cash equivalents and time certificate of deposit was \$2,941,911 and \$2,190,015, respectively, and the corresponding bank balances were \$2,941,911 and \$2,190,015, 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, 2013 and 2012, bank deposits in the amount of \$87,518 and \$89,364, respectively, were FDIC insured and bank deposits in the amount of \$500,000 and \$250,000, 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, 2013 and 2012

### (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.

#### Deferred Revenue

Deferred 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, 2013 and 2012

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

#### New Accounting Standards

During the year ended September 30, 2013, the GALC implemented the following pronouncements:

- GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, which addressed how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership that state and local governments are increasingly entering into. The implementation of this statement did not have a material effect on the accompanying financial statements.
- GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, which improved financial reporting for governmental entities by amending the requirements of Statements No. 14, *The Financial Reporting Entity*, and No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, to better meet user needs and address reporting entity issues that have come to light since those Statements were issued in 1991 and 1999, respectively. The implementation of this statement did not have a material effect on the accompanying financial statements.
- GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which enhanced the usefulness of its Codification by incorporating guidance that previously could only be found in certain Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) pronouncements issued on or before November 30, 1989, which does not conflict or contradict GASB pronouncements. GASB Statement No. 62 superseded GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*. The implementation of this statement did not have a material effect on the accompanying financial statements.
- GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which established guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. These Statements amend the net asset reporting requirements in Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The implementation of these statements did not have a material effect on the accompanying financial statements.

In April 2012, GASB issued Statement No. 66, *Technical Corrections - 2012*, which enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The provisions of this statement are effective for periods beginning after December 15, 2012. Management has not yet determined the effect of implementation of this statement on the financial statements of the GALC.

## GUAM ANCESTRAL LANDS COMMISSION

Notes to Financial Statements  
September 30, 2013 and 2012

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

#### New Accounting Standards, Continued

In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans*, which revises existing guidance for the financial reports of most pension plans, and Statement No. 68, *Accounting and Financial Reporting for Pensions*, which revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. The provisions in Statement 67 are effective for financial statements for periods beginning after June 15, 2013. The provisions in Statement 68 are effective for fiscal years beginning after June 15, 2014. Management has not yet determined the effect of implementation of these statements on the financial statements of the GALC.

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*, which improves accounting and financial reporting for state and local governments' combinations and disposals of government operations. Government combinations include mergers, acquisitions, and transfers of operations. A disposal of government operations can occur through a transfer to another government or a sale. The provisions in Statement 69 are effective for fiscal years beginning after December 15, 2013. Management has not yet determined the effect of implementation of this statement on the financial statements of the GALC.

In April 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which requires a state or local government guarantor that offers a nonexchange financial guarantee to another organization or government to recognize a liability on its financial statements when it is more likely than not that the guarantor will be required to make a payment to the obligation holders under the agreement. The provisions in Statement 70 are effective for fiscal years beginning after June 15, 2013. Management has not yet determined the effect of implementation of this statement on the financial statements of the GALC.

#### Reclassifications

Certain reclassifications have been made to the 2012 financial statements to confirm to the 2013 presentation.

### (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, 2013 and 2012

### (4) Receivables

Receivables as of September 30, 2013 and 2012, including the applicable allowance for uncollectible accounts, are as follows:

	<u>2013</u>	<u>2012</u>
Receivables:		
Lease rental	\$ 244,800	\$ 431,902
Interest receivable	14,651	-
Due from Guam Economic Development Authority (GEDA)	<u>132,213</u>	<u>127,213</u>
	391,664	559,115
Less allowance for uncollectible accounts	<u>(63,548)</u>	<u>(50,257)</u>
	<u>\$ 328,116</u>	<u>\$ 508,858</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, 2013 and 2012, security deposits in the amount of \$132,213 and \$127,213, 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 GEDA, the Guam Environmental Protection Agency, and the Guam Department of Public Health and Social Services. During the years ended September 30, 2013 and 2012, the GALC recognized certain on-behalf payments as contributions from GovGuam, totaling \$92,185 and \$179,155, respectively, representing certain payroll and related expenditures that GovGuam paid directly on behalf of the GALC.

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, 2013 and 2012, such land is valued at \$411,159,732 and \$406,640,273, respectively, of which \$6,759,894 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.

## GUAM ANCESTRAL LANDS COMMISSION

Notes to Financial Statements  
September 30, 2013 and 2012

### (7) Commitments

The GALC has ground lease agreements with six 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 (\$3,272 and \$3,240 as of September 30, 2013 and 2012, 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, 2013 and 2012, the GALC recognized lease base rental revenue of \$38,875 and \$38,653, respectively, and lease participation rental revenue of \$11,478 and \$15,318, respectively, associated with this lease agreement.

Apra Harbor Reservation F-12 (Polaris Point):

In June 2009, the GALC entered into a five-year lease agreement with a tenant commencing June 15, 2009 for certain real property with an area of approximately five (5) acres. In accordance with the lease agreement, rental income from the tenant shall consist of the following:

- a. Base rent of \$3,500 payable monthly in advance (\$3,788 and \$3,714 as of September 30, 2013 and 2012, respectively) on the first business day of each month escalating each year at the rate of 2%; 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 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.

During the years ended September 30, 2013 and 2012, the GALC recognized lease base rental revenue of \$0 and \$83,217, respectively, associated with this lease agreement. This lease was terminated on July 15, 2013 due to the failure to pay outstanding amounts owed and failure to clean and return a portion of land to its original state.

## GUAM ANCESTRAL LANDS COMMISSION

Notes to Financial Statements  
September 30, 2013 and 2012

### (7) Commitments, Continued

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

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 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, 2013 and 2012, the GALC recognized lease base rental revenue of \$325,455 and \$274,846, respectively, and lease participation rental revenue of \$338 and \$107, 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, 2013 and 2012, the GALC recognized lease base rental revenue of \$72,000 and \$72,000, respectively, and lease participation rental revenue of \$6,072 and \$0, respectively, associated with this lease agreement.

**GUAM ANCESTRAL LANDS COMMISSION**

Notes to Financial Statements  
September 30, 2013 and 2012

(7) Commitments, Continued

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, 2013 and 2012, the GALC recognized lease rental revenue of \$120,000 and \$88,000, respectively, associated with this lease 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. During the years ended September 30, 2013 and 2012, the GALC recognized lease rental revenue of \$96,000 and \$384,000, respectively, associated with this lease agreement.

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

<u>Year Ending</u> <u>September 30,</u>	
2014	\$ 601,076
2015	529,470
2016	451,868
2017	434,270
2018	434,677
2019 - 2023	2,179,620
2024 - 2028	2,190,403
2029 - 2033	2,201,735
2034 - 2038	1,925,646
2039 - 2043	1,746,164
2044 - 2048	1,759,320
2049 - 2053	1,773,148
2054 - 2058	1,762,080
2059 - 2060	<u>520,884</u>
	<u>\$ 18,510,361</u>

## GUAM ANCESTRAL LANDS COMMISSION

Notes to Financial Statements  
September 30, 2013 and 2012

### (7) 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, 2013 and 2012, GEDA withheld \$77,369 and \$90,338, respectively, of base rent and \$4,578 and \$3,085, respectively, of participation rent as payment for GEDA services. As of September 30, 2013 and 2012, the GALC has recognized a liability of \$15,914 and \$44,187, respectively, for GEDA services relating to base rent receivables collected after the respective year ends.

### (8) Contingencies

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, 2013. 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, 2013

	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	\$ 443	\$ 1,932,115	\$ 9,353	\$ 1,941,911
Time certificate of deposit	-	1,000,000	-	1,000,000
Receivables, net	-	328,116	-	328,116
Due from GovGuam General Fund	<u>2,455</u>	<u>-</u>	<u>-</u>	<u>2,455</u>
Total assets	<u>\$ 2,898</u>	<u>\$ 3,260,231</u>	<u>\$ 9,353</u>	<u>\$ 3,272,482</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 1,450	\$ 15,914	\$ -	\$ 17,364
Accrued payroll and other liabilities	1,005	-	-	1,005
Security deposits payable	-	132,213	-	132,213
Deferred revenue	<u>-</u>	<u>69,969</u>	<u>-</u>	<u>69,969</u>
Total liabilities	<u>2,455</u>	<u>218,096</u>	<u>-</u>	<u>220,551</u>
Fund balances:				
Reserved for:				
Restricted	-	3,042,135	9,353	3,051,488
Committed	<u>443</u>	<u>-</u>	<u>-</u>	<u>443</u>
Total fund balances	<u>443</u>	<u>3,042,135</u>	<u>9,353</u>	<u>3,051,931</u>
Total liabilities and fund balances	<u>\$ 2,898</u>	<u>\$ 3,260,231</u>	<u>\$ 9,353</u>	<u>\$ 3,272,482</u>

See Accompanying Independent Auditors' Report.

**GUAM ANCESTRAL LANDS COMMISSION**

Combining Balance Sheet  
September 30, 2012

	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	\$ 840	\$ 2,178,327	\$ 10,848	\$ 2,190,015
Receivables, net	-	508,858	-	508,858
Due from GovGuam General Fund	<u>4,729</u>	<u>-</u>	<u>-</u>	<u>4,729</u>
Total assets	<u>\$ 5,569</u>	<u>\$ 2,687,185</u>	<u>\$ 10,848</u>	<u>\$ 2,703,602</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 1,398	\$ 44,187	\$ -	\$ 45,585
Accrued payroll and other liabilities	3,331	-	-	3,331
Security deposits payable	-	127,213	-	127,213
Deferred revenue	<u>-</u>	<u>72,645</u>	<u>-</u>	<u>72,645</u>
Total liabilities	<u>4,729</u>	<u>244,045</u>	<u>-</u>	<u>248,774</u>
Fund balances:				
Reserved for:				
Restricted	-	2,443,140	10,848	2,453,988
Committed	<u>840</u>	<u>-</u>	<u>-</u>	<u>840</u>
Total fund balances	<u>840</u>	<u>2,443,140</u>	<u>10,848</u>	<u>2,454,828</u>
Total liabilities and fund balances	<u>\$ 5,569</u>	<u>\$ 2,687,185</u>	<u>\$ 10,848</u>	<u>\$ 2,703,602</u>

See Accompanying Independent Auditors' Report.

**GUAM ANCESTRAL LANDS COMMISSION**

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Year Ended September 30, 2013

	Ancestral Lands Operations Fund	Land Bank Trust Fund	Landowner's Recovery Fund	Elimination	Total
Revenues:					
Lease rentals:					
Base rent	\$ -	\$ 652,330	\$ -	\$ -	\$ 652,330
Participation rent	-	17,888	-	-	17,888
Other	-	5,000	-	-	5,000
General Fund appropriation	92,185	-	-	-	92,185
Interest income	-	21,638	5	-	21,643
Other	266	-	-	-	266
	<u>92,451</u>	<u>696,856</u>	<u>5</u>	<u>-</u>	<u>789,312</u>
Expenditures:					
Salaries and wages - regular	60,579	-	-	-	60,579
Salaries and wages - fringe benefits	17,170	-	-	-	17,170
Health benefits	6,933	-	-	-	6,933
Contractual services	826	-	-	-	826
Supplies	727	-	-	-	727
Management fee	-	97,861	-	-	97,861
Miscellaneous	8,113	-	-	-	8,113
	<u>94,348</u>	<u>97,861</u>	<u>-</u>	<u>-</u>	<u>192,209</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,897)</u>	<u>598,995</u>	<u>5</u>	<u>-</u>	<u>597,103</u>
Other financing sources (uses):					
Operating transfers in	1,500	-	-	(1,500)	-
Operating transfers out	-	-	(1,500)	1,500	-
	<u>1,500</u>	<u>-</u>	<u>(1,500)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses), net	<u>1,500</u>	<u>-</u>	<u>(1,500)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(397)	598,995	(1,495)	-	597,103
Fund balances at beginning of year	840	2,443,140	10,848	-	2,454,828
Fund balances at end of year	<u>\$ 443</u>	<u>\$ 3,042,135</u>	<u>\$ 9,353</u>	<u>\$ -</u>	<u>\$ 3,051,931</u>

See Accompanying Independent Auditors' Report.

**GUAM ANCESTRAL LANDS COMMISSION**

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Year Ended September 30, 2012

	Ancestral Lands Operations Fund	Land Bank Trust Fund	Landowner's Recovery Fund	Elimination	Total
Revenues:					
Lease rentals:					
Base rent	\$ -	\$ 940,716	\$ -	\$ -	\$ 940,716
Participation rent	-	15,425	-	-	15,425
General Fund appropriation	179,155	-	-	-	179,155
Interest income	-	3,025	8	-	3,033
Other	106	7,000	186	-	7,292
	<u>179,261</u>	<u>966,166</u>	<u>194</u>	<u>-</u>	<u>1,145,621</u>
Expenditures:					
Salaries and wages - regular	123,096	-	-	-	123,096
Salaries and wages - fringe benefits	37,833	-	-	-	37,833
Health benefits	10,170	-	-	-	10,170
Contractual services	1,137	-	-	-	1,137
Supplies	3,400	-	-	-	3,400
Utilities - power and water	2,387	-	-	-	2,387
Communications	1,132	-	-	-	1,132
Management fee	-	137,610	-	-	137,610
Miscellaneous	3,366	92,641	-	-	96,007
	<u>182,521</u>	<u>230,251</u>	<u>-</u>	<u>-</u>	<u>412,772</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,260)</u>	<u>735,915</u>	<u>194</u>	<u>-</u>	<u>732,849</u>
Other financing sources (uses):					
Operating transfers in	3,000	1,200	-	(4,200)	-
Operating transfers out	-	(1,200)	(3,000)	4,200	-
	<u>3,000</u>	<u>-</u>	<u>(3,000)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses), net	<u>3,000</u>	<u>-</u>	<u>(3,000)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(260)	735,915	(2,806)	-	732,849
Fund balances at beginning of year	1,100	1,707,225	13,654	-	1,721,979
Fund balances at end of year	<u>\$ 840</u>	<u>\$ 2,443,140</u>	<u>\$ 10,848</u>	<u>\$ -</u>	<u>\$ 2,454,828</u>

See Accompanying Independent Auditors' Report.

**GUAM ANCESTRAL LANDS COMMISSION**

Supplemental Schedule of Employees and Salaries  
Years Ended September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Salaries and wages - regular	<u>\$ 60,579</u>	<u>\$ 123,096</u>
Number of employees:		
Executive Director	-	1
Land Agents	1	1
Other Administrative Staff	<u>1</u>	<u>1</u>
Total number of employees	<u>2</u>	<u>3</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**

Ms. Anita F. Orlino  
Chairperson  
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 or GALC), which comprise the balance sheet as of September 30, 2013, 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 December 29, 2014.

### **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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses or significant deficiencies.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2013-1 and 2013-2 to be material weaknesses.

## **Compliance and Other Matters**

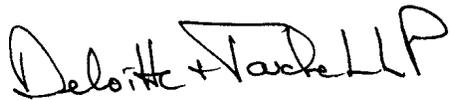
As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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*.

## **The Commission's Responses to Findings**

The Commission's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The Commission's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## **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 + Touche LLP". The signature is written in a cursive, stylized font.

December 29, 2014

**GUAM ANCESTRAL LANDS COMMISSION**

Schedule of Findings and Responses  
Year Ended September 30, 2013

Finding No. 2013-1

Accounting System

Criteria:

An adequate accounting system should provide accurate and current financial reporting information in accordance with generally accepted accounting principles identifying the receipt and expenditure of non-appropriated funds and be integrated with an adequate system of internal controls to safeguard assets, check the accuracy and reliability of accounting data, promote operational efficiency, and encourage adherence to prescribed management policies.

Condition:

The GALC does not maintain adequate record-keeping for its non-appropriated funds on a formal accounting system. Accordingly, no formal reconciliation process is in place for general ledger account balances.

Cause:

The cause of the above condition is the lack of utilization of a formal accounting system.

Effect:

The effect of the above condition is the lack of the ability to prepare accurate and reliable financial statements in accordance with generally accepted accounting principles and an increased risk of error or fraud in the receipt and expenditure of non-appropriated funds.

Recommendation:

We recommend that the GALC establish an adequate system of internal controls through the implementation of a formal accounting system.

Prior Year Status:

The lack of maintaining adequate record-keeping for non-appropriated funds was reported as a finding in the audits of the GALC for fiscal years 2011 and 2012.

Auditee Response and Corrective Action Plan: Management concurs with the audit recommendation. A land use plan is essential to the present and future direction in regards to the issuance of leases for the respective programs.

Target Date of completion: End of FY2016 with consideration that the appropriate positions are recruited.

- a. Land Agent Supervisor
- b. Planner III
- c. Program Coordinator IV

Board Members and Director

**GUAM ANCESTRAL LANDS COMMISSION**

Schedule of Findings and Responses, Continued  
Year Ended September 30, 2013

Finding No. 2013-2

Collection and Monitoring of Accounts Receivable

Criteria:

Prompt and timely collection of receivables is critical to maximizing the GALC cash flows and minimizing exposure from uncollectible receivables.

Condition:

As of September 30, 2013, the GALC recorded lease receivables of \$244,800, of which \$79,548 remained uncollected 90 days after the year end. Of this amount of \$244,800, collection of receivables of \$63,548 was considered doubtful resulting in the recording of an allowance for uncollectible accounts.

Cause:

The cause of the above condition is the lack of timely collection of receivables.

Effect:

The effect of the above condition is the possibility of monetary loss and inaccurate financial statements.

Recommendation:

We recommend that the GALC establish policies and procedures requiring the timely collection and monitoring of accounts receivable.

Prior Year Status:

The lack of adequate internal control policies over timely collection of receivables was reported as a finding in the audits of the GALC for fiscal years 2011 and 2012.

Auditee Response and Corrective Action Plan: Management concurs with the audit recommendation. Completion of this recommendation will provide a definite direction for administrative support staff and will allow for the implementation of internal controls.

Target Date of completion: End of FY2015 or sooner considering that the following positions are recruited.

- a. Administrative Assistant
- b. Data entry clerk
- c. Program Coordinator IV

Board Members and Director

**GUAM ANCESTRAL LANDS COMMISSION**

Unresolved Prior Audit Findings  
Year Ended September 30, 2013

The status of unresolved prior year findings is discussed in Schedule of Findings and Responses section of this report.