



OFFICE OF THE PUBLIC AUDITOR

Guam Preservation Trust FY 2006 Financial Highlights

June 28, 2007

The Guam Preservation Trust (GPT) is a public, tax-exempt, non-profit corporation established by P.L. 20-151. Fiscal Year (FY) 2006 is the first audited financial statement GPT has issued in nine years, or since 1998. From 1999 to 2005, GPT contracted the preparation of compilations (financial statement reports that do not express assurance that the statements are in conformity with generally accepted accounting principles). The 1998 audit and compilations were conducted by Deloitte and Touche, LLP. The GPT's FY 2006 financial statements, prepared by Ernst & Young, LLP, reported a net income of \$456,000 and had an unqualified or "clean" opinion. For comparative purposes, we utilized Deloitte's FY 2005 compilation.

Historical Preservation Projects

Over the years, GPT rehabilitated and restored a total of 19 historic structures in the sum of \$6.8 million ranging from historic homes, churches, public buildings, and civic parks. In addition, GPT granted \$1 million to 29 grantees to advance preservation in the areas of ethnography and oral histories, public interpretations, archaeological research, and preservation of the Guam Museum collection. GPT is governed by a ten-member board, representing five disciplines (Archaeology, Architecture, Chamorro Culture, Community Planning, and History). As of FY 2006, GPT has commitments of approximately \$120,000 for five projects. Funds will be released to grantees only upon satisfactory performance of the requirements called for in the grant agreement.

Primary Revenue Source- Building Permit Fees

The primary revenue sources for the GPT are the building permit fees, which are deposited with the Treasurer of Guam. The Department of Administration in turn transfers these fees to GPT. For FY 2006, GPT received \$926,000 in permit fees from DOA compared to \$671,000 in FY 2005. Accordingly, interest income increased 423% from \$12,500 in FY 2005 to \$65,000 in FY 2006.

Expenditures Increased by 192% from Prior Year

GPT expenditures increased by \$352,000 or 192% from \$184,000 in FY 2005 to \$536,000 in FY 2006. These expenditures are mainly comprised of \$250,000 in grant payments and \$201,000 in salaries. Significant increases in expenses were for salaries, bank charges, communications, and supplies. FY 2006 salaries almost doubled from \$112,000 to \$201,000, which comprised of a Chief Program Officer, Program Officer, and an Administrative Services Coordinator. The staff are not government of Guam employees and do not contribute to the Guam Retirement Fund. Communications increased from \$2,800 to \$5,300 and supplies from \$1,100 to \$8,500.

\$1.6 Million Prior Year Adjustment

In FY 2006, GPT had a total prior year adjustment of \$1.6 million, of which \$1.5 million or 94% was due to an overstatement of receivables from the government of Guam, \$97,000 was due an overstatement of leasehold interest, and \$6,000 was due to an understatement accrued liabilities. As a result of the adjustment, GPT closed its FY 2006 operations with a \$455,000 increase in net assets from \$1.8 million in FY 2005 (as restated) to \$2.3 million in FY 2006.

Cash Represents 80% of Total Assets

In FY 2006, total assets were \$2.3 million of which \$1.8 million or 80% represents cash. Despite having cash of \$1.8 million, GPT incurred over \$7,700 in bank charges in FY 2006 compared to \$2,100 in FY 2005.

Government of Guam Liquidity Crisis

In March 2007, Standard & Poor's placed the government of Guam on "CreditWatch with negative implications. The liquidity crisis is directly attributed to Guam's long-term structural financial imbalance, with recurring deficits, a large and growing negative general fund balance, and massive long-term liabilities." Due to the liquidity crisis of the General Fund, GPT's management opted to reclassify \$5.3 million of the \$5.8 million receivable from the General Fund as allowance for doubtful accounts. Although the CreditWatch was removed in June 2007, Standard and Poor's maintained that "GovGuam has a long history of structural imbalance and large accumulated deficits that will take years to reduce."

Report on Compliance and Internal Control

The independent auditor's Report on Compliance and Internal Control noted seven findings, which included the following.

- **Procurement:** In 2006-03, GPT did not obtain the required number of quotations or obtain a Statement of Qualification for services obtained from five vendors amounting to \$39,265. In 2006-04, the selection of two firms for structural engineering assessments were not in compliance with GPT's procurement procedures based on RFP requirements.
- **Accounting and Recording of Revenues:** In 2006-01, One Stop currently utilizes an unnumbered manual inter-office memorandum in place of preprinted sequentially numbered receipts. In addition, in 2006-02, there are inadequate internal controls to ensure that all receipts are accounted for. There is no audit trail as the Treasurer of Guam does not print duplicate copies of the automated receipts for customers to submit to One Stop as an attachment to the inter-office memo.
- **Travel:** In 2006-05, GPT is not consistent in obtaining boarding passes from individuals who have traveled using the Trust's funds.

For a more detailed commentary on GPT's operations, please refer to the Management Discussion and Analysis in the audit report.