



## **Guam Preservation Trust FY 2012 Financial Highlights**

March 19, 2013

The Guam Preservation Trust (GPT) closed Fiscal Year (FY) 2012 with a significant increase in net assets of \$4.7 million (M) compared to a \$573 thousand (K) loss in FY 2011. The increase was primarily due to recovery of bad debts of \$4.3M from the 2011 Hotel Occupancy Tax (HOT) Bond proceeds, and increase in building permit fees of \$396K. GPT is primarily funded from building permit fees collected by the Department of Public Works (DPW).

GPT is a non-profit, public corporation dedicated to preserve and protect Guam's historic sites, culture, and perspectives for the benefit and future of the people of Guam. In FY 2012, GPT was governed by eight Board of Director members, representing five disciplines in Archeology, Architecture, Chamorro Culture, Community Planning, and History. The Board members are appointed by the Governor with the advice and consent of the Guam Legislature. GPT has a staff of four employees who are not Government of Guam (GovGuam) employees.

GPT received an unqualified (clean) opinion from its independent auditors, Ernst & Young, LLP. However, in order to receive the clean opinion, six audit adjustments were made that cumulatively reduced net assets by \$189K. Similar to FY 2011, despite the fact that GPT's accounting services are outsourced to a reputable firm, GPT's management has not built up its internal accounting infrastructure and relies extensively on the auditors.

GPT for the first time, in six fiscal years, had no compliance or internal control findings. GPT's one repeat significant deficiency on completeness of revenues from FY 2006 to FY 2011 was reduced to a management letter comment in FY 2012. The management letter also noted another area pertaining to outstanding encumbrances.

### **Increased Revenues and Decreased Expenses**

GPT's primary source of revenue is the DPW building permit fees, representing 98% of total revenues. DPW fees consist of building permit fees, re-inspection fees, and fines for vandalism and theft of historic properties. Operating revenues increased by 57% or \$396K from \$699K in FY 2011 to \$1.1M in FY 2012, due to the increase in building permit fee collections. The significant increase was attributed to the increased construction activity on Guam.

GPT also recovered \$4.3M, originally written off as bad debts, from the 2011 HOT Bonds. GPT plans to use the recovered \$4.3M for the restoration of the Guam Legislature, Umatac Outdoor Library, and three homes in the Historic District of Inalahan.

Expenditures decreased by 30% or \$326K from \$1.1M in FY 2011 to \$780K in FY 2012, primarily due to no provision for doubtful accounts and reduced travel. The provision for

doubtful accounts was off-set by the \$4.3M HOT Bond reimbursement to GPT. This decrease was attributed mostly due to GPT's involvement with national events have scheduled their meetings biennially or every other year.

### **GPT Investments**

GPT's investments increased by 417% or \$1.4M from \$344K in FY 2011 to \$1.8M in FY 2012. Likewise, interest income on the investments increased by \$13K or 128% from \$10K in FY 2011 to \$23K in FY 2012. GPT's return on investments amounted to 1% of total investments.

In FY 2012, the Asset Allocation Rates of GPT's Investment Policy changed due to the previous year's diminishing returns. The rates changed for investment on cash equivalents from 60% in FY 2011 to 80% in FY 2012, and equity investments from 40% in FY 2011 to 20% in FY 2012. As a result, GPT had an unrealized gain of \$120K in FY 2012 compared to an unrealized loss of \$167K in FY 2011.

### **Historic Preservation Projects**

In the last six years, GPT had 39 approved projects amounting to \$2.7M in grants. The costs to fund the projects ranged from Guam Humanities Gala (\$2K) to the Lujan House (\$786K). The three largest projects were for the: Lujan House (\$786K), Taleyfac Bridge (\$686K), and Guam Legislature building (\$429K). Of the \$2.7M, \$754K remains unexpended as of FY 2012. The Taleyfac Bridge project was the largest amount unexpended at \$478K, which is expected to be completed by May 2013. Also in FY 2012, there were 20 new approved projects amounting to \$182K in grants.

### **No Compliance and Internal Control Finding**

GPT is to be commended for its first year, in six fiscal years, of no compliance and internal control finding. From FY 2006 to FY 2011, GPT had one repeat significant deficiency for its inability to ensure completeness of revenues. The independent auditors noted issues with the recording of building permit fee payments by the Treasurer of Guam, and lack of reconciliation of the fees recorded among GPT, DPW, and the Department of Administration (DOA). As a result, building permit fees revenue recorded by GPT differed from DOA's records. In FY 2012, the significant deficiency was addressed due to DPW's improvements on the review and reconciliation of building permit fee revenues.

### **Comments on Management Letter**

The Management Letter contained two deficiencies pertaining to outstanding encumbrances and amounts due from GovGuam. The independent auditors recommended GPT to revisit some of its outstanding encumbrances to ensure the projects are still active and in compliance with the grant agreement. Grants approved in as far back as 2006 still remain outstanding. In addition, the independent auditors recommended GPT to perform a monthly or quarterly reconciliation or obtain confirmations of its reported receivable from the GovGuam Building Permit Fund.

For a more detailed discussion on GPT's operations, see the Management's Discussion and Analysis in the audit report at [www.guamopa.org](http://www.guamopa.org) and [guampreservationtrust.com](http://guampreservationtrust.com).