



Guam Preservation Trust FY 2010 Financial Highlights

February 16, 2011

The Guam Preservation Trust (GPT) closed fiscal year (FY) 2010 with a decline in net assets (loss) of \$927 thousand (K) compared to an increase of \$189K in FY 2009. The decline is a result of a decrease in building permit fees and an increase in grant projects and other operating expenditures. GPT received an unqualified (clean) opinion from its independent auditors, Ernst & Young LLP; however, in order to receive the clean opinion, five audit adjustments were made which had a cumulative effect of reducing net assets by \$1.3M. One repeat significant deficiency continues as to GPT's inability to ensure the completeness of revenues. A separate management letter also contained a deficiency pertaining to outstanding encumbrances that are over one year.

Building Permit Fees Decrease

GPT's primary source of revenues is derived from the Building Permit Fees administered by the Department of Public Works (DPW). These fees comprise of building permit fees, re-inspection fees, and fines for vandalism and unlawful taking of historic properties. For FY 2010, a total of \$627K was received from Building Permit Fees, which represent a 46%, or \$544K, decrease compared to \$1.2M in FY 2009. GPT attributed the decline to the moratorium placed on commercial and land development applications by the Guam Waterworks Authority. However, the moratorium was lifted in April 2009 and GPT expects to see an increase of construction activity for FY 2011. For the first quarter of FY 2011, GPT received \$165K in building permit fees, an increase of 23% compared to \$134K in the first quarter of FY 2010.

Increase in Expenditures

In FY2010, GPT's total expenditures increased by 41%, or \$467K, from \$1.1M in 2009 to \$1.6M in 2010. Projects/Grants represented the highest increase totaling \$1.2M, a \$450K, or 58%, increase from \$783K in 2009. The major grant expenditures were the rehabilitation of the Lujan House totaling \$649K; the architectural and engineering design to rehabilitate the Guam Legislature totaling \$284K; the University of Guam (UOG) Archaeological Program totaling \$104K; the Guam National History Day, \$70K, and the coordination and sponsorship of the National Asian and Pacific Islanders American Caucus (APIA) conference totaling \$52K. Personnel Services increased by 15%, or \$34K, from \$235K to \$269K, which is attributed to the addition of one new staff for GPT. Miscellaneous expenses increased by \$3K or 87%, from \$4K to \$7K in 2010. This increase was attributed to the increase in historic preservation service-learning groups from the UOG and George Washington High School.

Saving Historic Pagat Village

GPT is currently engaged in an ongoing lawsuit against the U.S. Department of Defense, challenging its plans to construct a complex of five firing ranges in Guam that are immediately

adjacent to and directed toward historic Pagat Village. In GPT's plight, a nonprofit organization based in Washington, D.C. and an international law firm have engaged their technical services on a pro-bono basis to assist in the review and action to save Historic Pagat Village. GPT, the nonprofit organization based in Washington, D.C., and a nonprofit organization in Guam, are the plaintiffs stated in this legal action. The lawsuit was filed in Honolulu, Hawaii where the environmental review process was coordinated by the Navy.

Increase in Historic Preservation Projects

Overall, GPT has \$2.9M in grants to fund 30 projects. In FY 2010 alone, \$1.1M was awarded to fund 8 new projects. The costs to fund the 30 projects ranged from \$340 (Mes Chamorro) to \$840K. The three highest funded projects were: \$840K for the Lujan House; \$686K for the Talefac Bridge Project; and \$429K for the Guam Legislature. The Lujan House is currently utilized as the office of the GPT agency.

Loss in Investments

Interest income and gain on investments decreased significantly by \$103K, or 72%, from \$144K to \$41K in FY 2010. The decline was attributed to the decrease in capital investments and volatile investment markets. GPT Board also approved a drawing from investments of \$400K to defray capital improvement projects.

Report on Compliance

The Report on Compliance and Internal Control noted one finding, which has been a repeat finding since 2007. The finding pertains to GPT's inability to ensure the completeness of the building permit fees collected.

Auditors noted several concerns: there are no numbering systems in place to keep track of the applications or building permits issued; routing slips, which are documents provided to customers for payment also lack a sequential numbering system; and dates on receipts and building permits often differ. It is incumbent on GPT to make more assertive inquiries to DPW when revenues show a significant decrease in building permit fees, most notably the decline from FY 2009 to FY 2010.

Management Letter Comments & Letter to Those Charged With Governance

In the management letter, the auditors noted that management should review outstanding encumbrances to ensure projects are still active and in compliance with the terms of the grant agreement.

In addition, a separate letter to the Board was issued outlining audit strategies, required communications, audit differences and adjustments, and management representations. For a more detailed discussion on GPT's operations, see the Management's Discussion and Analysis in the audit report at www.guamopa.org and www.guampreservationtrust.com.