



Guam Preservation Trust FY 2016 Financial Highlights

March 16, 2017

The Guam Preservation Trust (GPT) closed fiscal year (FY) 2016 with a decrease in net position (net loss) of \$2.6 million (M) due mainly to the \$2.1M increase in expenditures for grant projects. Also in FY 2015, GPT had a net loss of \$722 thousand (K). Independent auditors, Ernst & Young LLP, issued an unmodified (clean) opinion on GPT's FY 2016 financial statements. GPT is commended for its second year without material weaknesses or significant deficiencies in its Report on Compliance and Internal Control.

GPT's Main Revenue Source Reduced from 100% to 50%

GPT's total revenues decreased by \$246K, from \$1.1M in FY 2015 to \$827K in FY 2016. This was due to decreases in building permit fees and interest income.

Building permit fees are the main revenue source for GPT, representing 87% of total revenues. In FY 2016, building permit fees decreased from \$924K in FY 2015 to \$721K. Public Law (P.L.) 33-66 amended the Guam Code Annotated (GCA) in reducing GPT's previous 100% allocation of building permit fees to 50%. The Department of Public Works' Building and Design Fee Account will receive 25% and the Guam Museum Fund will receive 25%.

Interest income decreased by \$100K, from \$148K in FY 2015 to \$48K in FY 2016. This 68% decrease occurred due to drawdowns from GPT's investment accounts to pay for capital improvement projects, such as with the Guam Congress (Legislature) Building and the Juan Flores House. Although interest income represents only 6% of total revenues, it is the only other constant source of income besides building permit fees.

GPT received \$58K in grants and other support, but this was not enough to offset the decreases in building permit fees and interest income.

Grant Projects

As of FY 2016, GPT had 36 approved projects totaling \$5.8M in grants, of which \$2.1M has yet to be expended. During FY 2016, \$3.1M was expended. The largest grant expenditures were for the rehabilitation and reconstruction of the Guam Congress Building for \$2M and the Juan Flores House for \$304K, as well as the demolition of the Manuel Guerrero Building [the former Department of Administration (DOA) Building] for \$345K. Expenditures for the three grants attributed to GPT's increase in total expenditures by \$2M (or 125%), from \$1.6M in FY 2015 to \$3.6M in FY 2016.

The \$2.8M for the Guam Congress Building was mutually agreed upon between the Guam Legislature and GPT's Board of Directors. This was unlike the grant amount approved for the demolition of the former DOA building, which was enacted by P.L. 33-19 for \$1M. The remaining balance of \$655K will be used for landscaping, lighting, walkways, park benches, public restroom

facilities, and a commemorative monument of the late Honorable Governor Manuel F.L. Guerrero. Another historic building renovation project added during FY 2016 was the Doris Lujan House for \$410K.

Cash Equivalents and Investments

Together, cash equivalents and investments decreased by \$2.4M, going from \$5.9M in FY 2015 to \$3.5M in FY 2016. This was due to drawdowns to pay for capital improvement projects. Cash equivalents consist of cash deposited in banks and money market accounts while GPT's investments include equity securities, time certificates of deposits, and exchange traded funds. Out of FY 2016's \$3.5M in cash equivalents and investments, only \$1.9M was insured, while \$1.6M was uninsured and uncollateralized.

Report on Compliance and Internal Control and Management Letter

For FY 2016, the independent auditors did not identify any material weaknesses or significant deficiencies in GPT's internal control over financial reporting or instances of noncompliance.

However, a separate management letter identified two deficiencies concerning the (1) pending approval and implementation of a written GPT vehicle usage policy; and the (2) enforcement of GPT's travel policy to ensure proper submittal of all GPT trip and travel expense reports with detailed supporting documents.

In other matters, the independent auditors acknowledged the 50% reduction in building permit fees allocated to GPT in accordance with P.L. 33-66. As such, it was recommended that GPT regularly prepare and update its budgets and cash flows to ensure GPT is able to operate within its means.

Five audit adjustments were made that cumulatively reduced GPT's net position by \$159K, but three uncorrected misstatements would have increased GPT's net position by \$3K.

Other Matters

Although GPT is a public, non-profit corporation, its primary source of funding comes from the Government of Guam. P.L. 27-89 added §5117 (*Procurement Shall Be Delegated to the Guam Preservation Trust*) to the Guam Procurement Law allowing the Chief Procurement Officer to delegate the authority to procure supplies and services to GPT's Board of Directors. Neither in P.L. 27-89, nor in GPT's enabling legislation (21 GCA, Chapter 76, Article 6), nor in the Guam Procurement Law is GPT explicitly exempted from Guam's procurement laws and regulations. OPA requested an opinion from the Attorney General to clarify whether GPT is required to follow Guam procurement laws and regulations.

As a matter of disclosure, GPT purchased what is now referred to as the George Flores Museum, which was formerly a store owned by the Public Auditor's father; and GPT's legal counsel is the stepson of the Public Auditor.

For a more detailed discussion on GPT's operations, see the Management's Discussion and Analysis in the audit report at www.opaguam.org and www.guampreservationtrust.org.