



## **Guam Preservation Trust FY 2013 Financial Highlights**

February 18, 2014

The Guam Preservation Trust (GPT) closed Fiscal Year (FY) 2013 with an increase in net position of \$142 thousand (K), compared to a \$4.7 million (M) increase in FY 2012. Unlike in FY 2012, GPT did not have the benefit of recovering \$4.3M past due building permit fees paid from the Hotel Occupancy Tax Bond Series 2011.

GPT received an unmodified (clean) opinion from its independent auditors, EY. In order to receive the clean opinion, two audit adjustments were made that cumulatively reduced GPT's net position by \$50K. Similar to prior fiscal years, 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 is to be commended for its second year of not having material weaknesses or significant deficiencies in its Reports on Compliance and Internal Control. However, GPT's long outstanding encumbrances continues to be a management letter comment.

### **Increased Revenues and Expenditures**

GPT is primarily funded from building permit fees collected by the Department of Public Works (DPW). These fees consist of building permit fees, re-inspection fees, and fines for vandalism and theft of historic properties. Building permit fees increased by 7.9% from \$1.09M in FY 2012 to \$1.18M in FY 2013. This increase was attributed to the rise in Guam's construction activity and improvements in DPW's permit collection and control procedures.

While revenues increased by 13.5% or \$151K, expenditures increased by 35.1% or \$273K. The increase in expenditures was mainly attributed to the increase in grant expenditures, which accounted for 51% of GPT's total revenues in FY 2013.

GPT's expenditures can be classified into two major categories: Program Services (projects/grants) and Supporting Services. GPT's projects and grants expenditures increased by 69% from \$383K in FY 2012 to \$648K in FY 2013. Meanwhile, GPT's supporting services increased by 2.2% from FY 2012.

### **Increase in Supporting Services**

Supporting Services are costs associated with GPT's administration of its grants and projects, and made up 38% of total expenditures in FY 2013. Over a five-year period, Supporting Services increased by 16% or \$56K from \$349K in FY 2009 to \$405K in FY 2013. Personnel is the largest Supporting Services expenditure. GPT's personnel composition changed with the loss of its Program Officer and Development Officer, and with the addition of three Special Projects

Coordinators. GPT's employees are not government employees and need to complete one year of service with GPT to qualify for GPT's retirement plan. The full effect of the new employees' compensation will not be reflected in GPT's financial statements until FY 2015.

### **Status of Historic Preservation Projects**

As of FY 2013, GPT had 48 approved projects totaling \$1.8M in grants, of which \$565K have yet to be expended. The largest approved grant amounts are the Lujan House (\$806K), the Taleyfac Bridge (\$710K), and the Guam Legislature building (\$429K). In FY 2013, GPT expended \$648K for 35 projects, which included the Historic Inalajan Revitalization Plan (\$15K) and the Taleyfac Bridge (\$436K). In FY 2013, there were 24 approved grants amounting to \$480K for projects such as the rehabilitation of three homes in the historic district of Inalajan for \$216K and the structural assessment for the former F.Q. Sanchez Elementary School building for \$64K.

### **Net Change in GPT's Investments**

While GPT's investments and interest income increased, this was offset by an increase in investment fees and a loss on investments in FY 2013.

GPT's investments increased by 44% or \$781K from \$1.8M in FY 2012 to \$2.6M in FY 2013. Likewise, interest income on the investments increased by 275% or \$64K from \$23K in FY 2012 to \$88K in FY 2013. The increase in interest income increased GPT's total revenues, and was a result of the change in GPT's Trust Investment Policy regarding its Asset Allocation Rates. GPT's return on investments amounted to 5% of total investments.

Correspondingly, GPT's expenditures for trust fund and investment fees increased by 395% or \$20K from \$5K in FY 2012 to \$25K in FY 2013. This increase also attributed to the increase in GPT's total expenditures. In addition, GPT recorded a loss on investments in the amount of \$74K. This loss minimized the effect of the increase in GPT's interest income.

### **Continuing Outstanding Encumbrances**

GPT is to be commended for its second consecutive year of no compliance and internal control finding. However, outstanding encumbrances continue to be a management letter comment since FY 2009. Funds for grants that were approved as far back as 2006 still remain outstanding. The independent auditors recommended that GPT revisit these outstanding encumbrances to affirm that the projects are still active and in compliance with grant agreements.

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.org](http://guampreservationtrust.org).