



Guam Preservation Trust FY 2011 Financial Highlights

March 07, 2012

The Guam Preservation Trust (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. It is governed by a Board of Directors (Board), consisting of ten members appointed by the Governor with the advice and consent of the Guam Legislature. GPT is staffed by personnel who are not Government of Guam (GovGuam) employees. GPT is primarily funded from Building Permit fees that are collected by the Department of Public Works (DPW).

GPT closed FY 2011 with a decline in net assets (loss) of \$573 thousand (K) compared to a \$927K loss in FY 2010. The lower decline was due to the substantial reduction of \$939K in grant expenditures, reconciliation between the Department of Administration (DOA) and GPT as to amounts owed of \$380K, offset in part by slight increase in revenues.

DPW Building Permit Fees have dropped dramatically in the last several years from a high of \$1.2 million (M) in 2009 to a low of \$627K in 2010 and rising to \$699K in 2011 due to the delayed military build-up. Because of this downward trend, the Board placed a moratorium on grant projects in excess of \$5K. As a result, only \$295K was spent on grant projects in FY 2011. The Board, however, did not place a similar call to reduce administrative and operating expenditures. Supporting services have risen from \$286K in 2006 to over \$431K in 2011 (excluding the provision for doubtful accounts), which is a 51% increase in six years. Of this amount, personnel went from \$201K to \$306K. The \$306K was paid to four employees for an average of \$77K per employee. Comparable GovGuam positions are paid considerably less.

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 that cumulatively reduced net assets by \$323K. 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 relying extensively on the auditors. A separate management letter noted two deficiencies pertaining to more than a year-old outstanding encumbrances and classification of expenses noted above. In addition, GPT had one repeat significant deficiency since FY 2006 for its inability to ensure the completeness of revenues.

Increase in Revenues and Loss on Investments

Revenues increased by 12% or \$75K from \$634K in FY 2010 to \$709K in FY 2011, primarily due to Building Permit Fees. DPW fees consist of building permit fees, re-inspection fees, and fines for vandalism and theft of historic properties. The slight increase was attributed to the slight boost in construction activity on Guam.

GPT had a realized loss on sale of investments of \$9K and unrealized loss on investments of \$168K in FY 2011. The losses were attributed to a decrease in capital investments and volatile investment markets. Meanwhile, interest income on investments increased by 58% or \$4K from \$6K in FY 2010 to \$10K in FY 2011.

Decrease in Grant Expenditures

Expenditures decreased by 55% or \$874K from \$1.6M in FY 2010 to \$726K (excluding the provision for doubtful accounts) in FY 2011 as \$295K was paid out for grants compared to \$1.2M. The Board placed a moratorium on grants over \$5K as a result of the decrease in permit fees. In contrast, \$431K went to support services to administer these grants. Supporting services now represent 61% of total revenues compared to grant expenditures of 42%.

Historic Preservation Projects

In the last five years, GPT had 34 approved projects amounting to \$2.7M in grants. Of the \$2.7M, \$182K was awarded to fund 17 new projects in FY 2011. The costs to fund the projects ranged from Blacksmith Apprenticeship (\$1K) to the Lujan House (\$856K). The three largest projects were for the: Lujan House (\$856K), Taleyfac Bridge (\$686K) and Guam Legislature building (\$429K). The Taleyfac Bridge Project's contract was still unsigned as of the issuance of this report and no funds expended, despite the grant's approval by the Board in 2009.

Repeat Finding on Compliance

Since FY 2006, the independent auditors noted a finding on completeness of revenues in the Report on Compliance and Internal Controls. GPT may not be recognizing all the available revenues for its use. In FY 2011, DOA reported collecting from the Treasurer of Guam (TOG) \$46K more than the amount GPT recorded for Building Permit Fees. Reconciliation as to amounts owed by DOA to GPT resulted in the write-off to bad debts of \$380K. The independent auditors identified TOG's inconsistent procedures after receiving payment for building permits as the cause for the variance. Similar to FY 2010, GPT should continue to make assertive inquiries to DPW for variations in recorded Building Permit Fees.

Comments on Management Letter

The Management Letter contained two deficiencies pertaining to outstanding encumbrances and classification of expenses. 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.

Update on Pagat Village

In FY 2010, GPT was engaged in a lawsuit against the U.S. Department of Defense to challenge its plans of constructing five firing range complex adjacent to and directed towards Pagat village. In November 2011, the U.S. Department of Justice declared that the Navy will prepare a Supplemental Environmental Impact Statement (SEIS) to reconsider live-firing range complex alternatives. This declaration is the beginning of a process to resolve the concerns of the people of Guam since the release of the Draft Environmental Impact Statement for the military buildup on Guam two years ago. GPT hopes that the SEIS will address GPT's concerns to preserve and protect Pagat village.

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 guampreservationtrust.com.