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Guam Preservation Trust – FY 2018 Financial Highlights

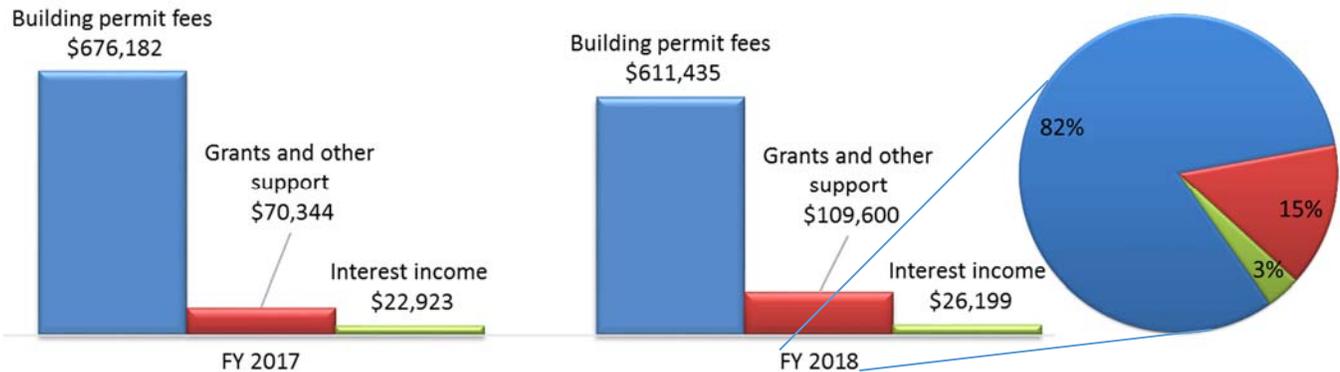
Continued Decline in Government Subsidy and Program Services

March 29, 2019

Hagåtña, Guam – The Office of Public Accountability (OPA) has released the Guam Preservation Trust’s (GPT) financial statements, report on compliance and internal control, management letter, and the auditor’s communication with those charged with governance for fiscal year (FY) 2018. Independent auditors, Ernst & Young LLP (EY), rendered an unmodified (clean) opinion on GPT’s financial statements, for which no material weaknesses and no significant deficiencies were identified. GPT closed FY 2018 with a decrease in net position (net loss) of \$336 thousand (K). Though still a net loss, it is less than FY 2017’s net loss of \$980K. For FY 2018, OPA recognized¹ GPT for achieving a status similar to "low-risk."

Continued Decline in Government Subsidy and Pull from GPT Investments

GPT’s total revenues continued to decline as it received less of the building permit fees collected by the Department of Public Works (DPW). GPT received 82% of its FY 2018 revenues from building permit fees. As of FY 2018, GPT recorded a \$1.5 million (M) allowance for uncollectible receivables due from the Government of Guam Building Permit Fund. Since its establishment in 1990, GPT – being a non-profit, public corporation – has had the purpose and power to seek outside grants and donations, as well as being entitled to all building permit fees collected. However, in the past five years, grants and other support represented only 15% or less of its revenues. No grants and other support were received in FY 2015.



Since its 100% entitlement to building permit fees was cut in half at the start of FY 2016, GPT has been drawing down from its investments to pay for capital improvement projects. From FY 2017 to FY 2018, interest income slightly increased despite GPT’s investments decreasing from \$2.1M to \$1.2M. However, since FY 2015, interest income has generally decreased from \$148K to \$26K in FY 2018. Interest income is GPT’s only other permanent source of income aside from building permit fees.

¹ OPA recognizes those entities not subject to a Single Audit that achieved a similar "low-risk" status. OPA's criteria for such recognition requires that for three consecutive periods (FY 2016, FY 2017, and FY 2018), the entity issued its financial audit within six months of the fiscal year and received an unmodified "clean" opinion on its financial statements with no material weaknesses, no significant deficiencies, and no questioned costs.

Since FY 2016, grants and other support have increased, but not enough to carry total expenditures.

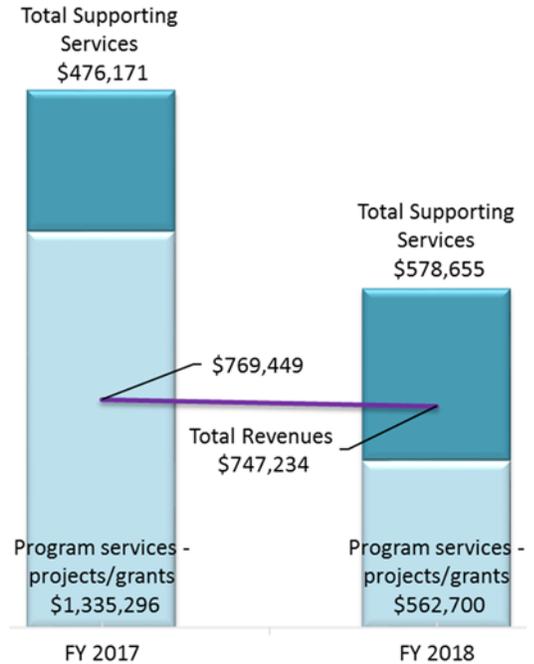
Continued Decline in Program Services

Like in FY 2017, GPT spent more than they received in revenues for FY 2018. During FY 2018, \$563K was spent on projects and grants, which was 58% less than the \$1.3M spent in FY 2017. While program service expenditures decreased by \$773K, GPT’s personnel expenses increased by \$103K. The largest grant expenditure in FY 2018 was \$363K for the completion of rehabilitating and reconstructing the Doris Lujan House in Inarajan. Overall, total expenditures decreased by \$670K.

In FY 2018, nine new grants were approved for a total of \$342K. The largest grant approved was \$180K for the architectural and engineering plans for the San Nicolas House in Inarajan and the Rosario House in Hagatna.

Management Letter

EY repeated its recommendation for GPT to review its procurement policy to ensure it is complying with the Guam



Procurement Law and Regulations, to include following up on its request to obtain DPW’s approval to engage in its own procurement for construction projects. Also required under Guam Procurement Law, is that all personnel tasked with procuring goods, services, or construction must receive procurement training. As of the audit’s issuance, none of GPT’s employees, nor its board members, completed the required procurement training modules. EY also suggested separate folders per procurement to improve GPT’s file maintenance.



San Nicolas House, Inarajan

GPT accepted four audit adjustments that cumulatively increased GPT’s net position by \$121K.

For more details on GPT’s operations, see the Management’s Discussion and Analysis in the audit report at www.opaguam.org and www.guampreservationtrust.org.



Rosario House, Hagatna