



Guam Preservation Trust FY 2017 Financial Highlights

March 18, 2018

The Guam Preservation Trust (GPT) closed fiscal year (FY) 2017 with a decrease in net position (net loss) of \$980 thousand (K). Though still a net loss, it is less than FY 2016's net loss of \$2.6 million (M). Independent auditors, Ernst & Young LLP, issued an unmodified (clean) opinion on GPT's FY 2017 financial statements.

The Office of Public Accountability (OPA) is in the process of selecting a Chamorro designation similar to a "low-risk auditee" for those entities/funds that do not receive federal funding, and has asked the Chamorro Language Commission for assistance. With its third consecutive year of receiving a clean opinion, no material weaknesses, no significant deficiencies, and no questioned costs, GPT will be recognized for similar designation in FY 2017.

GPT's Main Revenue Source Continues to Decline

GPT's revenues continue to decline by \$58K, from \$827K in FY 2016 to \$769K in FY 2017, due mainly to decreases in building permit fees and interest income.

Building permit fees are the main revenue source for GPT, representing 88% of revenues. However, revenue from building permit fees continued to decline from \$721K in FY 2016 to \$676K in FY 2017. Effective since the start of FY 2016, Public Law 33-66 reduced GPT's previous 100% allocation of building permit fees to 50%. However, building permit fees revenues were already declining prior to the reduced allocation.

Interest income also continued to decline by more than half from \$48K in FY 2016 to \$23K in FY 2017, due to drawdowns from GPT's investment accounts to pay for capital improvement projects. Although interest income represents only 3% of total revenues, it is GPT's only other constant source of income besides building permit fees.

In FY 2017, GPT received \$70K in grants and other support, a \$19K increase from FY 2016. However, the increase was not enough to offset the declines in building permit fees and interest income.

Grant Project Expenditures Decline

As of FY 2017, GPT had 36 approved projects totaling \$6M in grants, of which \$1.4M has yet to be expended. During FY 2017, \$1.3M was expended on projects, which was less than half of what was expended on projects in FY 2016. The largest grant expenditures were for the rehabilitation and reconstruction of the Guam Congress (Legislature) Building for \$550K and the Juan Flores House for \$268K, as well as for the repair of the Humatak (Umatac) Bridge for \$262K.

Out of \$528K in grants approved in FY 2017, \$393K (or 75%) was approved for the rehabilitation and restoration of the Antonia Chargualaf House.

Continued Cash and Investment Drawdowns

Cash and cash equivalents and investments decreased by \$1M, going from \$3.5M as of FY 2016 to \$2.5M as of FY 2017. Similar to FY 2016, this decrease was due to drawdowns to pay for capital improvement projects, such as the Guam Congress Building and the Juan Flores House. GPT's cash and cash equivalents of \$330K consist of cash deposited in banks and money market accounts, while GPT's investments of \$2.1M include mainly equity securities, time certificates of deposits, and exchange traded funds. GPT reduced the risk that its deposits and investments may not be returned to it by insuring 88% of its cash, cash equivalents, and investments as of FY 2017, as opposed to insuring only 55% as of FY 2016.

Report on Compliance and Internal Control and Management Letter

For FY 2017, the independent auditors identified no material weaknesses or significant deficiencies in GPT's internal control over financial reporting, nor instances of noncompliance. However, a separate management letter identified the following three deficiencies concerning the need for GPT to: (1) detail documentation to justify expense reimbursement; (2) revise its procurement policy to ensure compliance with Guam Procurement Law and Regulations; and (3) manage the level of cash outlays for projects and operating expenses.

Seven audit adjustments were made that cumulatively increased GPT's net position by \$395K. There was also one uncorrected misstatement that had no effect on GPT's net position because it was a reclassification.

GPT Subject to Guam Procurement Laws and Regulations

In response to OPA's request for an opinion, the Attorney General concluded that while GPT has the authority to procure goods and services, it is required to follow Guam Procurement Law and Regulations. The Attorney General further concluded that all GPT construction projects must be procured through the Director of the Department of Public Works.

Government Funding Not Subjected to Reduction

Although its primary source of funding comes from the Government of Guam, GPT did not receive a memorandum relative to the Bureau of Budget and Management Research's January 2018 Circular No. 18-04 about reducing certain agencies' FY 2018 funding.

Disclosure

As a matter of disclosure, GPT's legal counsel is the stepson of the Public Auditor. Furthermore, the Public Auditor is related to several owners whose houses are being/will be restored by GPT for historic preservation – Juan Flores House, Doris Lujan House, and Antonia Chargualaf House.

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.