



OFFICE OF THE PUBLIC AUDITOR  
Doris Flores Brooks, CPA, CGFM  
Public Auditor

2010 FEB 22

February 17, 2010

Honorable Judith T. Won Pat  
Speaker  
Mina Trenta Na Liheslaturan Guahan  
253 West O'Brien Drive  
Hagatna, Guam 96910

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Dear Speaker Won Pat:

Transmitted herewith is the Guam Preservation Trust FY 2009 audited Financial Statements, Report on Compliance and Internal Controls, Management Letter, and Letter to Those Charged with Governance. Attached are our highlights of the audit report.

For your convenience, you may also view and download the report in its entirety at [www.guamopa.org](http://www.guamopa.org).

*Senseramente,*

Doris Flores Brooks, CPA, CGFM  
Public Auditor

RECEIPT ACKNOWLEDGED:

By:

Date:

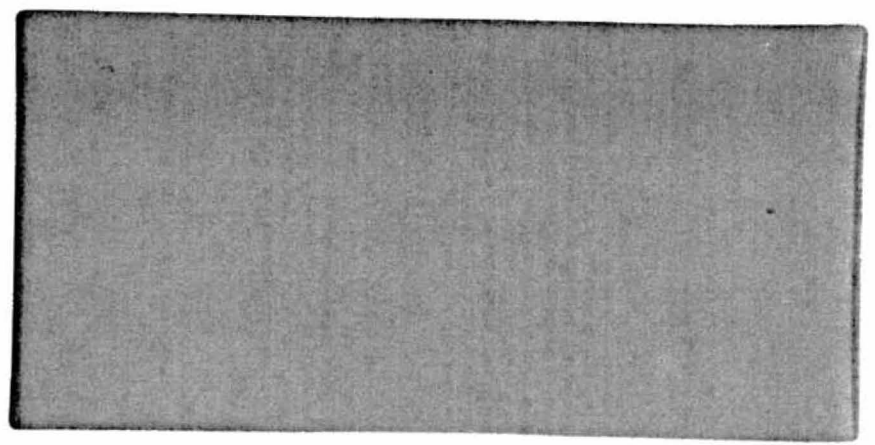
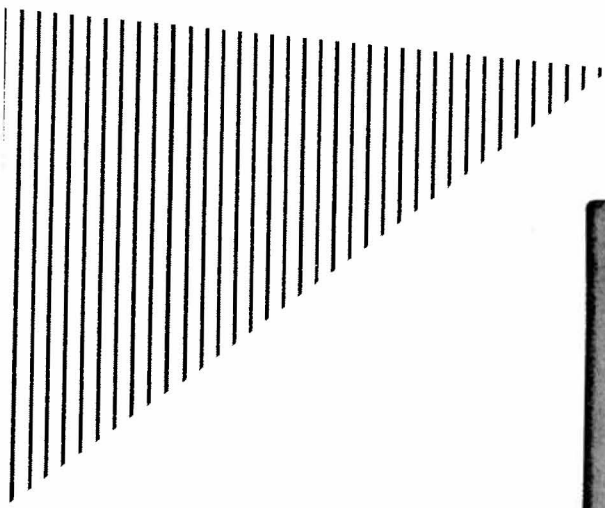
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Ernst & Young

Compliance and Internal Control

**Guam Preservation Trust**

(A Component Unit of the Government of Guam)

*September 30, 2009*

Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*

The Board of Directors  
Guam Preservation Trust

We have audited the financial statements of the Guam Preservation Trust (the Trust) as of and for the year ended September 30, 2009, and have issued our report thereon dated February 10, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

***Internal Control Over Financial Reporting***

In planning and performing our audit, we considered the Trust's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Trust's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies in internal control such that there is a reasonable possibility a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency in internal control over financial reporting. This finding is noted as item 2009-1. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Trust's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Trust's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Trust's response and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors and management of the Guam Preservation Trust, the Office of the Public Accountability, and others within the entity and is not intended to be and should not be used by anyone other than these specified parties. However, this report is also a matter of public information.

*Ernst + Young LLP*

February 10, 2010

The Board of Directors  
Guam Preservation Trust

In planning and performing our audit of the financial statements of the Guam Preservation Trust (the Trust) as of and for the year ended September 30, 2009, in accordance with auditing standards generally accepted in the United States, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered its internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. Accordingly, we do not express an opinion on the effectiveness of the Trust's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

### **Control Deficiency and Other Matters**

During our audit, we noted the following control deficiency, as defined above.

#### **Bank Reconciliations**

##### **Condition:**

The Trust outsources accounting services from a third-party service provider and receives back-ups of the data files. During our review of checks paid, we noted a disbursement was incorrectly recorded. This resulted in an adjustment of \$5,000 to correct the disbursement.

##### **Recommendation:**

We recommend that the Trust review the quarterly compilations, including restoring the back-up files, to ensure accuracy of data recorded.

The Management's Discussion and Analysis on pages 3 through 13 is not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of the Trust taken as a whole. The supplementary information included in the Schedule of Grant Projects Reserved for Encumbrances is presented for the purpose of additional analysis and is not a required part of the basic financial statements. This information is the responsibility of the Trust's management. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

*Ernst + Young LLP*

February 10, 2010

# Guam Preservation Trust

## Schedule of Findings and Responses

September 30, 2009

### **Finding Number 2009-1 Completeness of Revenues**

#### Criteria:

Generally accepted accounting principles require that all revenues be recorded in the proper accounting period.

#### Condition:

Building permits are issued by the Department of Public Works (DPW) and building permit fees are collected by the Treasurer of Guam (TOG) for the Department of Administration (DOA) at the One Stop office. DPW utilizes unnumbered, manually prepared, inter-office memorandums to evidence that building permit fees are paid for prior to issuance of the permit. The memorandum indicates the amounts to be paid and the account number that should be credited for tracking purposes by DOA. The memorandum should be stamped and initialed by the TOG cashier.

To record revenues, the Trust, through its accounting service provider, reviews all inter-office memorandums filed and records the building permit fees on a monthly basis. Based on the results of our audit, we noted that the DOA confirmed building permit fees that were approximately \$21,000 more than what the Trust had recorded.

#### Cause:

We selected one month's transaction and noted the following upon review of the inter-office memorandums:

- There were differences between the date of the inter-office memorandum and the TOG stamp date of receipt.
- There were inconsistencies in the stamping of inter-office memorandums by TOG; stamps were either electronically or manually stamped and not all cashiers initialed the stamp.

We noted no difference between the amount recorded by the Trust and the DPW's records. Thus the problem may be with the recording of payment by TOG. We also noted the Trust did not take into consideration interest earned and fines received, which totaled approximately \$9,000 based on DOA's confirmed balance.

#### Effect:

The Trust may not be recognizing all the revenues that should be made available for its use. Until additional internal controls are put into place, the completeness of building permit fees reported continues to be a concern.



# Guam Preservation Trust

## Schedule of Findings and Responses, continued

September 30, 2009

### **Finding Number 2009-1 Completeness of Revenues, continued**

#### Recommendation:

To increase assurance that all receipts are recorded and to reduce the risk of misstatement, error, fraud and illegal acts, we recommend that the Trust perform the following:

- Request TOG to provide DPW with a copy of the receipt they issue. DPW should then review the TOG receipt to ensure that TOG credited the fees collected into the Trust's account. Once these procedures are satisfied then DPW should attach the TOG receipt to their inter-office memorandum and issue the building permit.
- Continue to request for a monthly confirmation of revenues from DOA to allow for timely review of variances between DPW's records, payments received by TOG and amounts recorded by DOA.
- On a test basis, review building permits issued and match them against DPW's inter-office memorandums to ensure all permits have been properly paid for.

#### Auditee Response:

The Guam Preservation Trust recognized the need to reduce the risk of misstatements, error, fraud, and illegal acts, and have contracted an accounting service to conduct a monthly review and compilation of building permits paid and filed by the Guam Department of Public Works. With the monthly review and compilation of building permits and the confirmation from the Department of Administration, the Guam Preservation Trust and the Guam Department of Administration were able to identify discrepancies and corrective measures have been acted on a timely basis.

The recommendation to review receipts of paid permit fees at the point of permit issuance will be discussed with the Guam Department of Public Works and the Treasurer of Guam.

Guam Preservation Trust

Summary Schedule of Prior Audit Findings

September 30, 2009

Findings in the prior year Audit Report dated March 17, 2009 are as follows:

**2008 - 1**

**Completeness of revenues**

Finding repeated for fiscal year 2009.

**2007 - 1**

**Revenue recognition**

Finding repeated for fiscal year 2009.

**2007 - 2**

**Lack of consistency and supporting documentation**

Finding repeated for fiscal year 2009 (included with Finding 2009-1).



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February 10, 2010

The Board of Directors  
Guam Preservation Trust  
Suite 211, Second Floor  
194 Hernan Cortes Avenue  
Hagatna, Guam 96910

Dear Members of the Board:

We have performed an audit of the financial statements of the Guam Preservation Trust (the Trust), a component unit of the Government of Guam, as of and for the year ended September 30, 2009, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and have issued our report thereon dated February 10, 2010.

This report to the Finance Committee summarizes our communications to the board of directors required by our professional standards to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process for which the management of the Trust is responsible.

## **REQUIRED COMMUNICATIONS**

Statement on Auditing Standards No. 114, *The Auditor's Communication With Those Charged With Governance*, and other professional standards require the auditor to provide the Finance Committee (the Committee) of the board of directors (or those charged with governance) with additional information regarding the scope and results of the audit that may assist the Committee (or those charged with governance) in overseeing management's financial reporting and disclosure processes. We summarize our communications as follows:

### **Auditor's Responsibilities under Auditing Standards Generally Accepted in the United States (US GAAS)**

The financial statements are the responsibility of the Trust's management. Our audit was designed in accordance with the auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, to obtain reasonable, rather than absolute, assurance that the financial statements are free of material misstatement. We were not engaged to perform an audit of the Trust's internal control over financial reporting.

### **Auditor's Responsibilities US GAAS, continued**

Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation.

As part of our audit, we considered the Trust's internal control over financial reporting as a basis for designing audit procedures that were appropriate in the circumstances.

### **The Adoption of, or a Change in Significant Accounting Policies**

We determined that the Committee is informed about the initial selection of, and any changes in significant accounting principles or their application when the accounting principle or its application, including alternative methods of applying accounting principles, has a material effect on the financial statements.

There were no changes in the Trust's significant accounting policies during the year ended September 30, 2009. The Trust continues to apply its accounting policies in an appropriate manner and is disposed toward high quality financial reporting and application of accounting policies.

### **Auditor's Judgments About the Quality of the Trust's Accounting Principles**

We discussed our judgments about the quality, not just the acceptability, of the Trust's accounting principles as applied in its financial reporting, including the consistency of the accounting policies and their application and the clarity and completeness of the financial statements and related disclosures.

The Trust has consistently applied accounting principles generally accepted in the United States (US GAAP) and adequately disclosed required US GAAP disclosures in the financial statements.

### **Sensitive Accounting Estimates**

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Certain estimates are particularly sensitive due to their significance to the financial statements and the possibility that future events may differ significantly from management's expectations.

### **Sensitive Accounting Estimates, continued**

We determined that the Committee is informed about management's process for formulating particularly sensitive estimates and about the basis to our conclusions regarding the reasonableness of those estimates.

Management's judgment is called upon in:

- ▶ Preparing budgets used to determine how funds will be used in the Trust's operations
- ▶ Determining the valuation of estimates
- ▶ Determining the adequacy of the recorded valuation of receivables, including the need for any reserve

### **Significant Audit Adjustments**

We proposed four adjusting journal entries, which the Trust subsequently agreed to be reflected in the financial statements. Certain reclassifying journal entries have also been made relating to the investment accounts (see Appendix A – *Adjusting and Reclassifying Journal Entries*).

### **Unadjusted Audit Difference Considered by Management to be Immaterial**

Certain unadjusted audit differences accumulated by us (i.e. adjustments either identified by us or brought to our attention by management) were identified during the audit and pertaining to the latest period presented, which were determined by the Trust's management to be immaterial, both individually and in the aggregate, to the financial statements as a whole (see Appendix B – *Summary of Unrecorded Audit Differences*).

### **Other Information in Documents Containing the Audited Financial Statements**

We reviewed the Management's Discussion and Analysis and the Schedule of Grant Projects Reserved for Encumbrances in the financial statements to ensure consistency with the audited financial statements.

### **Consultation with Other Accountants**

There were no consultations made with other accountants during the audit that we are aware of.

### **Disagreements with Management on Financial Accounting and Reporting Matters**

There were no disagreements with the Trust's management on financial accounting and reporting matters.

The Board of Directors  
Guam Preservation Trust

### **Major Issues Discussed with Management Prior to Retention**

There were no major issues discussed with the Trust's management prior to our retention.

### **Methods of Accounting for Significant Unusual Transactions and for Controversial or Emerging Issues**

We are not aware of any significant unusual transactions recorded by the Trust or of any significant accounting policies used by the Trust related to controversial or emerging areas for which there is a lack of authoritative guidance.

### **Serious Difficulties Encountered in Dealing with Management in Performing the Audit**

There were no serious difficulties encountered in dealing with management in performing the audit.

### **Fraud and Illegal Acts**

We are not aware of any matters that require communication. Furthermore, the Trust's management has represented to us that they were not aware of any fraud or illegal acts for the period from October 1, 2008 to February 10, 2010 (see Appendix C – *Management's Representation Letter*).

### **Significant Deficiencies and Material Weaknesses in Internal Control**

We have identified significant deficiencies in internal control during the course of our audit which have been included in our separately issued Management Letter and the Compliance and Internal Control report dated February 10, 2010.

### **Independence**

We are not aware of any relationships between Ernst & Young and our related entities, and the Trust, or any other matters that in our professional judgment, may reasonably be thought to bear on our independence.

We also confirm that we are independent with respect to the Trust within the meaning of the applicable published rules and pronouncements, its interpretations and rulings.

The Board of Directors  
Guam Preservation Trust

This report is intended solely for the use of the Trust's board of directors and management, the Office of Public Accountability, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is also a matter of public record.

We would be happy to discuss the contents of this report and answer any questions you may have about these or any other audit related matters.

Very truly yours,

*Ernst + Young LLP*

The Board of Directors  
Guam Preservation Trust

## **Appendix**

**APPENDIX A - *Adjusting and Reclassifying Journal Entries***

**APPENDIX B - *Summary of Unrecorded Audit Differences***

**APPENDIX C - *Management Representation Letter***



The Board of Directors  
Guam Preservation Trust

**APPENDIX A – Adjusting and Reclassifying Journal Entries**

Guam Preservation Trust  
Year End: September 30, 2009  
Adjusting journal entries  
Date: 10/1/2008 To 9/30/2009

Number	Date	Name	Account No	Reference	Amount	Net Income (Loss)	Amount Chg	Recurrence
Net Income (Loss) Before Adjustments						172,487.00		
AJE 1	9/30/2009	Allowance for doubtful account	1205		(161,431.00)			
AJE 1	9/30/2009	Retained Earnings	3050		161,431.00			
To correct PY AJE 1 entered by Deloitte regarding bad debt expense.						0.00	172,487.00	0.00
AJE 2	9/30/2009	Cash-checking #0601-012085	1010	C0110	(5,000.00)			
AJE 2	9/30/2009	Archaeological/Museum	8851.13	C0110	5,000.00			
To properly record grant expense for account 8851.13 Archaeological/Museum						0.00	167,487.00	(5,000.00)
AJE 3	9/30/2009	Due from General Fund	1201	E0110	21,963.00			
AJE 3	9/30/2009	Building Permit Fee	4101	E0110	(21,963.00)			
To record the difference in revenues, as per DOA's confirmation.						0.00	189,450.00	21,963.00
AJE 4	9/30/2009	Accrued Expense	2200	N0130	(911.00)			
AJE 4	9/30/2009	Accounting Services	6801	N0130	911.00			
To properly accrue FY2009 expenses.						0.00	188,539.00	(911.00)
						<b>0.00</b>	<b>188,539.00</b>	<b>16,082.00</b>

The Board of Directors  
Guam Preservation Trust

**APPENDIX A - Adjusting and Reclassifying Journal Entries, continued**

Guam Preservation Trust  
Year End: September 30, 2009  
Reclassifying Journal entries  
Date: 10/1/2008 To 9/30/2009

Number	Date	Name	Account No	Reference	Annotation	Debit	Credit	Recurrence
RJE 1	9/30/2009	Investments - Ameritrade	1020	H0110			308,850.00	
RJE 1	9/30/2009	Cash & cash equivalents - Ameritrade	EY07	H0110		308,850.00		
		To properly classify account balances.						
RJE 2	9/30/2009	Investments - Merrill Lynch	1030	H0110			207,503.00	
RJE 2	9/30/2009	Cash & cash equivalents - Merrill Lynch	EY08	H0110		207,503.00		
		To properly classify account balances.						
RJE 3	9/30/2009	Investments - R J. & Assoc	1060	H0110			631,599.00	
RJE 3	9/30/2009	Cash & cash equivalents - Southwest	EY09	H0110		631,599.00		
		To properly classify accounts balance.						
RJE 4	9/30/2009	Other Income	7030	H0110			77,782.00	
RJE 4	9/30/2009	Change in FV of investments	7050	H0110		77,782.00		
		To reclassify account balances.						
						1,226,734.00	1,226,734.00	

## APPENDIX B - Summary of Unrecorded Audit Differences

### Summary of Audit Differences

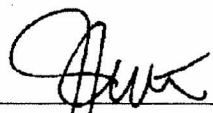
Printed Time: Fri Feb 12, 2010

Client: Guam Preservation Trust Audit Date: 2/10/2010 Currency: USD

All Identified Audit Differences Above (on tax) Amount			As a % of Audit Differences (debit/(credit))								
No.	W/P Ref.	Account (Audit differences are recorded as journal entries.)	Assets Current	Assets Non-current	Liabilities (Current)	Liabilities (Non-current)	Income / Expenses			Other - Special	
			Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit) Current Period	Non Taxable	Debit/(Credit) Prior Period	Non Taxable	Debit/(Credit)
<b>Unrecorded Audit Differences:</b>											
<b>Unrecorded Errors:</b>											
1		To record audit difference in payroll expense. Adjustment: 2300 Payroll Liabilities Adjustment: 6003 Salaries	1,042					-1,042	No	No	
		Balance Sheet Totals	1,042	0	0	0					0
		Financial Statement Amounts	1,042	0	0	0					0
		Effect of unrecorded audit differences on FS amounts	0.03%	0.00%	0.00%	0.00%					0.00%
		Income effect of unrecorded audit differences (before tax)						-1,042		0	
		Item: Non-taxable items (marked 'Yes' above)						0		0	
		Less: Tax effect at current year marginal rate	0.00%					0		0	
		Cumulative effect of unrecorded audit differences before time-around effect					-0.95%	-1,042		0	
		Time-around effect of prior-period unrecorded audit differences (after tax)					All Errors	0			
							Judgmental differences:	0			
		Cumulative effect of unrecorded audit differences, after time-around effect					-0.95%	-1,042			
		Current year net income					100.00%	108,538			

Concurrence:

We believe that the effects of the above unrecorded audit differences, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

  
\_\_\_\_\_  
Joseph Quinata, Chief Program Officer

2/10/10  
\_\_\_\_\_  
Date

## APPENDIX C - Management Representation Letter



### GUAM PRESERVATION TRUST

INANGOKKON INADAHI GUÅHAN

P.O. BOX 3036 • Hagåtña, Guam 96932  
Tel: (671) 472-9438/40 • Fax: (671) 477-2047  
www.guampreservationtrust.com

February 10, 2010

Ernst & Young LLP  
Ernst & Young Building  
231 Ypao Road, Suite 201  
Tamuning, Guam 96931

In connection with your audits of the basic financial statements of the Guam Preservation Trust (the "Trust") as of September 30, 2009 and 2008 and for periods then ended, we recognize that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion whether the financial statements present fairly, in all material respects, the financial position of governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the Trust and the respective changes in financial position and cash flows, where applicable, thereof in conformity with U.S. generally accepted accounting principles.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief:

#### *Management's Responsibilities*

Ernst & Young LLP assisted in drafting the format of the financial statement footnotes and the formatting of the various fund financial statements that appear in the Trust's financial statements in accordance with standards of the Governmental Accounting Standards Board. Management accepts responsibility for the fund financial statements that appear in the Trust's financial statements as our own and have prepared the source documents for all transactions and have maintained accounting control.

We have made available to your representatives all financial records and related data.

The financial statements properly classify all funds and activities.

Net asset components (invested in capital assets, net of related debt; restricted; and unrestricted) and fund balance reserves and designations are properly classified and, if applicable, approved. Required supplementary information (MD&A) and other schedules are measured and presented within prescribed guidelines.

We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

## **APPENDIX C – Management Representation Letter, continued**

### ***Unrecorded Audit Differences***

We acknowledge that the Trust has not remitted payments to the owners of the Rosario Estate. Unpaid amounts total approximately \$70,000 since our last payment in September 1999. However, as a component of the Government of Guam, the Trust is covered under the Government Claims Act. This prohibits the lessor from pursuing collections of amount beyond the most recent 18 month period from September 30, 2008, accordingly, past due rentals for the 18 month period totals approximately \$14,000. We believe this is our maximum exposure under the Government of Guam Claims Act. Furthermore, our position is that no liability exists as the lessors have not pursued collections of the past due amount since 1999 and we are attempting to terminate the lease.

Other than described above, we believe that the effects of the unrecorded audit differences, summarized in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

### ***Internal Control***

There are no transactions of a material nature, individually or in the aggregate, that have not been properly recorded in the accounting records underlying the financial statements.

We have communicated to you all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting.

### ***Minutes and Contracts***

We have made available to you all minutes of the meetings of shareholders, directors, and committees of directors, or summaries of actions of recent meetings for which minutes have not yet been prepared. We also have made available to you all significant contracts and agreements and have communicated to you all significant oral agreements. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

### ***Risks and Uncertainties***

There are no risks and uncertainties related to significant estimates and current vulnerabilities due to material concentrations that have not been disclosed in accordance with AICPA Statement of Position 94-6, *Disclosure of Certain Significant Risks and Uncertainties*.

## **GUAM PRESERVATION TRUST**

**INANGOKKON INADAHÍ GUA'HAN**

P.O. BOX 3036 • Hagåtña, Guam 96932 • Tel: (671) 472-9439/40 • Fax: (671) 477-2047 • Email: preservation@teleguam.net

## **APPENDIX C - Management Representation Letter, continued**

### ***Ownership and Pledging of Assets***

The Trust has satisfactory title to all assets appearing in the balance sheets. No security agreements have been executed under the provisions of the Uniform Commercial Code, and there are no liens or encumbrances on assets, nor has any asset been pledged. All assets to which the Trust has satisfactory title appear in the balance sheets.

### ***Receivables***

Receivables represent valid claims against the debtors indicated. Adequate provision has been made for losses that may be incurred subsequent to the balance sheet date.

### ***Financial Instruments***

The Trust has properly classified equity securities with readily determinable fair values as either available-for-sale or trading.

Significant concentrations of credit risk arising from all financial instruments and information about the collateral supporting such financial instruments has been properly disclosed in the financial statements.

### ***Pension Benefits***

We have disclosed to you all significant pension benefits promised and have made available to you all significant summary plan descriptions, benefit communications, and all other relevant information, including plan changes that constitute the plan.

### ***Contingent Liabilities***

There are no unasserted claims or assessments, including those our lawyers have advised us of, that are probable of assertion and must be disclosed in accordance with ASC 450-20, *Contingencies - Loss Contingencies* other than those disclosed in the financial statements.

There have been no violations or possible violations of laws or regulations in any jurisdiction whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency. There have been no violations of provisions of contracts and grant agreements with effects that should be considered for disclosure in the financial statement as a basis for recording a loss contingency, other than those disclosed in the financial statements.

There have been no internal investigations or communications from regulatory agencies or government representatives concerning investigations or allegations of noncompliance with laws or regulations in any jurisdiction, noncompliance with or deficiencies in financial reporting practices, or other matters that could have a material effect on the financial statements.

## **GUAM PRESERVATION TRUST**

**INANGOKKON INADAHÍ GUÅ'HAN**

P.O. BOX 3036 • Hagåtña, Guam 96932 • Tel: (671) 472-9439/40 • Fax: (671) 477-2047 • Email: preservation@teleguam.net

## **APPENDIX C – Management Representation Letter, continued**

### ***Contingent Liabilities, continued***

There are no other liabilities or gain or loss contingencies considered material, individually or in the aggregate, that are required to be accrued or disclosed by ASC 450-20 other than those accrued or disclosed in the financial statements, nor are there any accruals for loss contingencies included in the balance sheets that are not in conformity with the provisions of ASC 450.

### ***Fraud***

We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Trust's internal control over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees where the fraud could have a material effect on the financial statements. We have disclosed to you all allegations of financial improprieties, including fraud or suspected fraud, coming to our attention (regardless of the source or form and including, without limitation, allegations by "whistle-blowers") where such allegations could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Trust.

### ***Independence***

Based on inquiries we have made of our officers and board directors, we are not aware of any business relationship between any such officer or board director (or any entity for or of which such an officer or director acts in a similar capacity) and Ernst & Young LLP or any other member firm of the global Ernst & Young organization (any of which, an EY Firm), other than one pursuant to which an EY Firm performs professional services.

We are not aware of any reason that Ernst & Young LLP would not be considered to be independent for purposes of the Trust's audit.

We are not aware of any capital lease, material cooperative arrangement, or other business relationship between the Trust and Ernst & Young LLP or any other member of the global Ernst & Young organization.

### ***Conflicts of Interest***

There are no instances where any officer or employee of the Trust has an interest in a company with which the Trust does business that would be considered a "conflict of interest." Such an interest would be contrary to Trust policy.

## **GUAM PRESERVATION TRUST**

**INANGOKKON INADAH I GUA'HAN**

## APPENDIX C - Management Representation Letter, continued

### *Subsequent Events*

Subsequent to September 30, 2009, no events or transactions have occurred or are pending that would have a material effect on the financial statements at that date or for the period then ended, or that are of such significance in relation to the Trust's affairs to require mention in a note to the financial statements in order to make them not misleading regarding the financial position, results of operations, or cash flows of the Trust.

We recognize that we are responsible for the Trust's compliance with the laws, regulations, grant agreement, and contracts that are applicable to it. We have identified and disclosed to your representatives, all laws and regulations that have a direct and material effect on the determination of financial statement amounts.

We understand that your audits were conducted in accordance with auditing standards generally accepted in the United States as promulgated by the American Institute of Certified Public Accountants and were, therefore, designed primarily for the purpose of expressing an opinion on the basic financial statements of the Trust and that your tests of the accounting records and other auditing procedures were limited to those that you considered necessary for that purpose.

Very truly yours,

  
\_\_\_\_\_  
Joseph Quinata  
Chief Program Officer

**GUAM PRESERVATION TRUST**  
**INANGOKKON INADAHÍ GUA'HAN**

P.O. BOX 3036 • Hagåtña, Guam 96932 • Tel: (871) 472-9439/40 • Fax: (871) 477-2047 • Email: [preservation@teleguam.net](mailto:preservation@teleguam.net)



Guam Preservation Trust

Reports on Compliance and Internal Control

Year ended September 30, 2009

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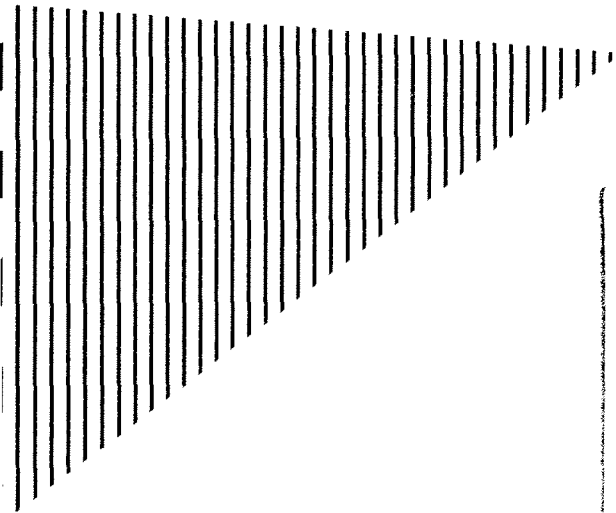
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Ernst & Young

Financial Statements and  
Other Financial Information

**Guam Preservation Trust**

(A Component Unit of the Government of Guam)

*Years ended September 30, 2009 and 2008  
with Report of Independent Auditors*

## Report of Independent Auditors

The Board of Directors  
Guam Preservation Trust

We have audited the accompanying governmental funds balance sheet/statements of net assets of the Guam Preservation Trust (the Trust), a component unit of the Government of Guam, as of September 30, 2009 and 2008, and the related statements of government fund revenues, expenditures and changes in fund balance/activities for the years then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Trust's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements referred to above present fairly, in all material respects, the financial position of the Guam Preservation Trust as of September 30, 2009 and 2008, and the results of its operations for the years then ended, in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2010, on our consideration of the Guam Preservation Trust's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The Board of Directors  
Guam Preservation Trust

In planning and performing our audit of the financial statements of the Guam Preservation Trust (the Trust) as of and for the year ended September 30, 2009, in accordance with auditing standards generally accepted in the United States, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered its internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. Accordingly, we do not express an opinion on the effectiveness of the Trust's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

### **Control Deficiency and Other Matters**

During our audit, we noted the following control deficiency, as defined above.

#### Bank Reconciliations

##### Condition:

The Trust outsources accounting services from a third-party service provider and receives back-ups of the data files. During our review of checks paid, we noted a disbursement was incorrectly recorded. This resulted in an adjustment of \$5,000 to correct the disbursement.

##### Recommendation:

We recommend that the Trust review the quarterly compilations, including restoring the back-up files, to ensure accuracy of data recorded.

### Other Matters

The Trust has some outstanding encumbrances that are over one year. We recommend that the Trust revisit these outstanding encumbrances to ensure the projects are still active and in compliance with the terms of the grant agreement.

In addition, we noted one instance in which a board project required more funds than that was originally approved. We recommend that the Trust follow-up on the settlement of the overage.

This communication is intended solely for the information and use of Management and the Board of Directors of the Trust, others within the organization, and the Office of the Public Accountability, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is also a matter of public record.

We would be pleased to discuss the above matters or to respond to any questions, at your convenience.

*Ernst + Young LLP*

February 10, 2010

Guam Preservation Trust  
(A Component Unit of the Government of Guam)

Financial Statements and  
Other Financial Information

Years ended September 30, 2009 and 2008

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Guam Preservation Trust  
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis

Year ended September 30, 2009

The Guam Preservation Trust presents its management's discussion and analysis (MD&A) of the performance of the Trust in tandem with its financial statements and accompanying notes. This presentation is provided to better understand the Trust and its financial status in accordance with U.S. generally accepted accounting principles promulgated by the Standards of the Government Accounting Standards Board (GASB).

**Introduction**

The Guam Preservation Trust was established in 1990 as a public, non-profit corporation by Public Law 20-151, amended by Public Law 21-07, codified as Article 6, Chapter 76, Division 2 of Title 21. In 2004, the Guam Legislature reenacted Article 6 of Chapter 76 of Division 2 of Title 21, and repealed §§87138 through 87141, and added a new § to Title 5, with Public Law 27-89.

The Trust was established with the following purposes, which are within its powers:

- a) To seek grants and donations;
- b) To acquire title to threatened Guam properties for the preservation of their historical value, whether in fee simple, by leasehold, or by easement, and whether through donation, transfer, dedication, or purchase;
- c) To award grants for the following:
  - 1) Historic property documentation and historic nomination;
  - 2) Architectural and archaeological history and documentation of historic structures and sites;
  - 3) Protection of historic structures and sites through stabilization, rehabilitation, reconstruction, or restoration, including adequate lighting when appropriate on such sites being utilized for non-profit and non-commercial purposes, such as private homes, schools, churches, public buildings and facilities, except that commercial activity is allowable on such sites pursuant to a signed covenant between the Guam Preservation Trust and the registered owners when part of the proceeds of such commercial activity is used for the general maintenance of such sites;
  - 4) Ethnography and oral history of Guam; and
  - 5) Archival and archaeological research and investigations for locating, recording, and protecting sites of historic or prehistoric interest and value.



Guam Preservation Trust  
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

**Introduction, continued**

- d) To prepare a Guam Preservation Trust Master Plan identifying, by order of priority, the buildings, structures and sites which in the opinion of the Trust are deserving of preservation and which shall be preserved. The Trust shall hold a public hearing on the proposed plan and shall transmit the plan to I Leheslaturan Guahan sixty (60) days prior to its implementation; and
- e) To support other activities directly related to increasing the public appreciation of and benefit from historical places including public interpretation.

The Guam Preservation Trust is a 501(c)(3) Non-profit Corporation comprised of ten board members representing five disciplines (Archaeology, Architecture, Chamorro Culture, Community Planning, and History). Each discipline is represented by a primary and an alternate Board Member. Board Members appointed by the Governor and approved by the Legislature to the Historic Review Board of the Guam Department of Parks and Recreation, automatically sit on the Trust Board. The Board of Directors conducts its regular monthly meeting on the second Wednesday of the month at 3:30pm.

In Fiscal Year 2009, a total of seven (7) Guam Preservation Trust Board meetings were conducted and 42 resolutions were made. Attendance of Board Members representing four of the five disciplines constitutes a quorum.

The Guam Preservation Trust Board Members by discipline are:

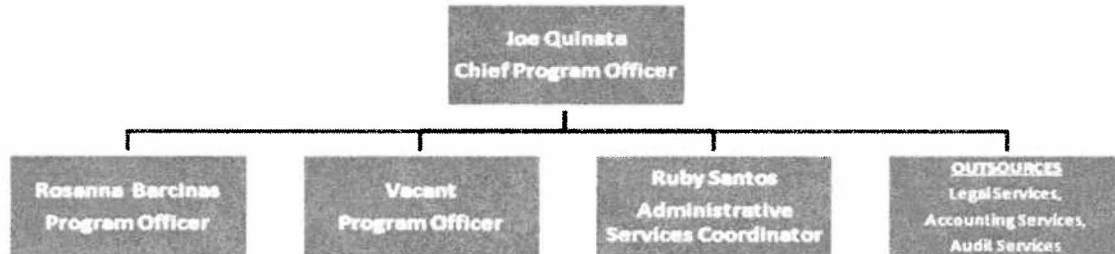
- **Architecture - Primary:** Michael Makio, AIA (Board Chair) **Alternate:** Liza Provido-Tan, AIA (Board Secretary)
- **Chamorro Culture - Primary:** Marilyn Salas, Ph.D. (Board Vice Chair) **Alternate:** Rebecca Dueñas (Board Treasurer)
- **Guam History - Primary:** Helen Bordallo
- **Archaeology - Primary:** Darlene Moore **Alternate:** Rebecca Stephenson, Ph.D.
- **Planning - Primary:** Tony Palomo **Alternate:** John Peterson Ph.D.

The Trust is staffed by the Chief Program Officer, two (2) Program Officers, and the Administrative Services Coordinator. The Trust personnel are non-government and are governed by the Trust's personnel handbook. Legal and accounting services are contracted by the Trust. The Trust maintains its own procurement regulations and adopted most of Government of Guam Procurement Regulations.

Guam Preservation Trust  
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

**Introduction, continued**



**The Guam Preservation Trust Vision**

*Historic Preservation on Guam is a public responsibility that is shared through education, cooperation, and advocacy all linking to Guam's Cultural Heritage.*

**The Guam Preservation Trust Mission**

*The Guam Preservation Trust will preserve and protect Guam's historic sites, culture, and perspectives for the benefit of our people and our future.*

**Guam Preservation Trust Master Plan**

In 2006, Guam's preservation stakeholders presented the Guam Preservation Trust Five-Year Historic Preservation Master Plan as a statement of our community's bold step towards taking action to preserve and protect our heritage for all to benefit. Today, the Guam Preservation Trust presents its report as a testimony of the diligence and dedication of the Guam Preservation Trust Board of Directors, staff, and the preservation community in accomplishing this year's *proposed outcomes* and achieving the *standards of success* expected of the community.

**Community Partnerships**

The Guam Preservation Trust has partnered with over 25 public, private, and individuals from the community to oversee more than 30 programs and projects to accomplish *proposed outcomes* for this year. All have been successful in their respective delivery to the community for their benefit and appreciation.

During Fiscal year 2009, the Guam Preservation Trust Board of Directors appropriated a total of over \$1.2 million to fund all programs and projects. Most importantly are the community's contributions as partners to accomplish the objectives of the programs and projects. An estimated total of over \$500,000 of in-kind and cash contributions from partner organizations and individuals have been dedicated towards the *proposed outcomes* for this year.

Guam Preservation Trust  
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

**Regional and National Support**

The Guam Preservation Trust has made strides in reaching out for professional and technical resources from the region and the national preservation arena. These resources are invaluable and contribute to the capacity of building our community in the area of preservation.

The result of our efforts have formalized partnerships with regional and national organizations: Spanish Programs for Cultural Cooperation (SPCC); University of San Carlos, Cebu, Philippines; Asian American & Pacific Islanders Caucus for Historic Preservation (AAPI); National History Day, Inc. (NHD); and The National Trust for Historic Preservation, Western Division (NTHP).

**Standard of Success 1  
Ethnography and Oral History**

The Guam Preservation Trust, in collaboration with organizations involved in ethnography and oral history, will dedicate resources, to research and document: 1) historic places; and 2) traditional cultural values and practices significant to Guam.

<b>Proposed Outcomes</b>			
<u>Project Name</u>	<u>Date Approved</u>	<u>Amount Approved</u>	<u>Balance</u>
Guam History Day (BP-0902)	04/08/08	\$105,483	\$ 448
A U.S. Territory in Japan South Sea Part I (GPTG-0803)	06/30/08	4,341	---
A U.S. Territory in Japan South Sea Part II (GPTG-0805)	09/10/08	9,060	1,140
Guampedia Video & Material (GPTG-0806)	09/10/08	22,500	6,380
A U.S. Territory in Japan South Sea Part III (GPTG-0808)	09/10/08	7,940	627
Camp Roxas Film Project (GPTG-0809)	09/10/08	<u>5,590</u>	<u>590</u>
Total		<u>\$154,914</u>	<u>\$9,185</u>

Guam Preservation Trust  
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

**Standard of Success 2**

**Repair, Rehabilitation, Restoration or Renovation of Historic Buildings and Structures**

The Guam Preservation Trust, in collaboration with other organizations and property owners, will dedicate resources for the care and treatment of deteriorating historic structures and buildings.

**Proposed Outcomes**

<u>Project Name</u>	<u>Date Approved</u>	<u>Amount Approved</u>	<u>Balance</u>
Fort Nuestra de la Soledad, Umatac (BP0601)	10/01/06 GVB/GEDCA	\$ 8,000 8,000	\$ 2,050 8,000
Meno House, Inarajan (GPTG-0704)	02/13/08	14,000	14,000
Merlyn G. Cook School (HS08-01C)	08/07/08	102,099	---
Lujan House (HS-0901)	01/14/09	<u>697,700</u>	<u>580,790</u>
Total		<u>\$829,799</u>	<u>\$604,840</u>

**Standard of Success 3  
Archaeological Research**

The Guam Preservation Trust will work with archaeological organizations to provide for archaeological research to better understand Guam's history;

**Proposed Outcomes**

<u>Project Name</u>	<u>Date Approved</u>	<u>Amount Approved</u>	<u>Balance</u>
Archaeology Program Year I (BP-0701)	06/07/07	\$127,622	\$ 193
Archaeological Survey: Vincent Perez property (GPTG-0802)	04/14/08	2,000	---
Archaeology Program Year II (BP-0701)	06/13/08	140,240	119,810
Historic Structures Report Training (BP-0804)	09/10/08	25,000	25,000
Pacific Archaeology Conference (BP-0804)	02/09/09	25,000	4,942
Archaeology Program Year III (BP-0804)	09/16/09	<u>83,600</u>	<u>83,600</u>
Total		<u>\$403,462</u>	<u>\$233,545</u>

Guam Preservation Trust  
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

**Standard of Success 4  
Public Interpretation and Presentation**

The Guam Preservation Trust will assist historians and other writers in the interpretation and presentation of historic properties for public education and appreciation.

**Proposed Outcomes**

<u>Project Name</u>	<u>Date Approved</u>	<u>Amount Approved</u>	<u>Balance</u>
Constantly Chamorro (GPTG-043) Guam Cultural Heritage Program	06/09/98	\$ 45,000	\$ 1,620
(GPTG-0706)	09/26/07	30,000	495
Sakman (GPTG-0804)	07/16/08	5,000	---
Sakman Canoe House (GPTG-0811) Historic Landmark Signs	09/10/08	27,120	27,120
(GPTG-0810)	09/10/08	11,790	6,785
Guam Micronesian Island Fair (BP-0803)	09/17/08	5,000	---
GPT Annual Report (BP-0903)	01/14/09	1,425	---
Mes Chamorro (BP-0904)	02/11/09	5,000	783
Historic Preservation Summer Camp (BP-0905)	04/08/09	4,948	2,544
TASI – Saina Voyage (GPTG-0902)	06/18/09	5,000	2,500
Historic Preservation Summer Institute (BP-0906)	07/08/09	28,003	( 2,291)
Guam Micronesian Island Fair (BP-0908)	08/12/09	5,000	---
Pa ‘a Taotao Tano (BP-0909)	08/12/09	2,500	2,500
Exploring Guam’s Heritage (BP-0907)	07/08/09	<u>8,290</u>	<u>8,290</u>
Total		<u>\$184,076</u>	<u>\$50,346</u>

Guam Preservation Trust  
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

**Standard of Success 5  
Historic Property Documentation and Register Nomination**

The Guam Preservation Trust will provide opportunities for the documentation of the historic significance of places, objects, structures, buildings, and sites, and is in the formal process for registration and nomination for listing on the Guam and/or National Register of Historic Places.

**Proposed Outcomes**

<u>Project Name</u>	<u>Date Approved</u>	<u>Amount Approved</u>	<u>Balance</u>
None Available			

**Standard of Success 6  
Archival Research**

The Guam Preservation Trust, in collaboration with archival organizations, will develop and provide archival research that focuses on specific historic places or broad patterns of events significant in Guam's history for public education and appreciation.

**Proposed Outcomes**

<u>Project Name</u>	<u>Date Approved</u>	<u>Amount Approved</u>	<u>Balance</u>
Guam Museum Inventory and Cataloging Project (GPTG-0701)	03/26/07	\$69,400	\$ ---
Spanish Period Glass and Ceramic Cataloging (GPTG-0801)	03/10/08	10,588	5,142
Inventory and Cataloging Project Amend (GPTG-0807)	09/10/08	<u>36,573</u>	<u>18,794</u>
Total		<u>\$116,561</u>	<u>\$23,936</u>

Guam Preservation Trust  
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

**Standard of Success 7  
Architectural History**

The Guam Preservation Trust, in collaboration with architectural and engineering organizations, will develop architectural research and documentation of historic structures for use in rehabilitation, renovation, restoration, or re-construction.

**Proposed Outcomes**

<u>Project Name</u>	<u>Date Approved</u>	<u>Amount Approved</u>	<u>Balance</u>
Taleyfak Bridge, Agat A/E Design (HS-0702)	09/05/07	\$180,000	\$ 36
Lujan House, Hagåtña Amendment (HS-0703)	01/09/09	45,360	24,570
Guam Legislature Building Structural Assessment (HS-0802)	06/04/08	40,500	---
Plaza de España Structural Assessment (GPTG-0901)	03/10/09	37,480	37,480
Guam Legislature A/E Design (HS-0902)	05/11/09	<u>264,200</u>	<u>152,000</u>
Total		<u>\$567,540</u>	<u>\$214,086</u>

Guam Preservation Trust  
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

**Financial Analysis**

Our analysis is based on the following condensed financial data for the years ended September 30, 2007, 2008, and 2009.

	September 30, <u>2009</u>	September 30, <u>2008</u>	September 30, <u>2007</u>	2009 % increase (decrease) from 2008
<u>Statement of Net Assets</u>				
Cash and cash equivalents	\$1,364,856	\$1,361,238	\$1,405,255	0.27 %
Investments	<u>858,030</u>	<u>712,335</u>	<u>708,577</u>	20.45 %
Receivables				
Building permit fund	6,285,091	6,239,099	6,106,219	0.74 %
Allowance for doubtful accounts	(5,426,711)	(5,426,711)	(5,345,996)	---
Other assets	<u>3,024</u>	<u>5,557</u>	<u>16,362</u>	(45.58)%
Total assets	<u>\$3,084,290</u>	<u>\$2,891,518</u>	<u>\$2,890,417</u>	6.67 %
Liability-accrued expenses	\$ 45,063	\$ 40,830	\$ 42,817	10.37 %
Deposits payable - grants	<u>8,000</u>	<u>8,000</u>	<u>8,000</u>	---
Total liabilities	<u>53,063</u>	<u>48,830</u>	<u>50,817</u>	8.67 %
Net assets:				
Invested in capital assets	2,124	4,657	6,608	(54.39)%
Unrestricted	<u>3,029,103</u>	<u>2,838,031</u>	<u>2,832,992</u>	6.73 %
Total net assets	<u>3,031,227</u>	<u>2,842,688</u>	<u>2,839,600</u>	6.63 %
Total liabilities and net assets	<u>\$3,084,240</u>	<u>\$2,891,518</u>	<u>\$2,890,417</u>	6.67 %



Guam Preservation Trust  
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

**Financial Analysis, continued**

	Year ended September 30, <u>2009</u>	Year ended September 30, <u>2008</u>	Year ended September 30, <u>2007</u>	2009 % increase (decrease) from <u>2008</u>
<u>Statement of Activities</u>				
Building permit fees	\$1,170,993	\$ 981,766	\$1,060,221	19.27 %
Interest income	<u>65,831</u>	<u>68,530</u>	<u>75,875</u>	( 3.94)%
Total revenues	1,236,824	1,050,296	1,136,096	17.76 %
Expenditures	(1,132,211)	(1,032,907)	( 563,347)	9.61 %
Gain (loss) on sale of investment	77,782	70,942	( 9,879)	9.64 %
Unrealized gain (loss) on investments	<u>6,144</u>	<u>( 85,243)</u>	<u>218</u>	(107.21)%
Excess of revenues over expenditures	188,539	3,088	563,088	6,005.54 %
Net assets at beginning of year	<u>2,842,688</u>	<u>2,839,600</u>	<u>2,276,512</u>	0.11 %
Net assets at end of year	<u>\$3,031,227</u>	<u>\$2,842,688</u>	<u>\$2,839,600</u>	6.63 %

The Guam Preservation Trust receives most of its revenues from the Building Permit Fees administered by the Guam Department of Public Works. A compilation is conducted every quarter by our accounting services provider. For Fiscal Year 2009, a total of \$1,170,933 was earned from building permit fees, a 19.27% increase from the 2008 total of \$981,766.

The Guam Preservation Trust Board of Directors recognizing the need to invest its funds, have taken steps into investment services on Guam. Unfortunately, due to the unprecedented economic downturn, interest income on investments has decreased between 2008 and 2009. In Fiscal Year 2009, \$65,831 was earned on interest income, compared to \$68,530 in Fiscal Year 2008.

Guam Preservation Trust  
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

**Financial Analysis, continued**

Receivables from the General Fund of \$6,285,091 as compiled by our accounting services provider, with \$5,426,711 identified as an allowance for doubtful accounts, concerned the Guam Preservation Trust Board and prompted a discovery meeting with the Department of Administration, the Bureau of Budget and Management Research, Department of Public Works and the Speaker of the Legislature, to reconcile and report its findings. Preliminary findings indicated that in FY 2000, Public Law authorized the release of \$7.4 million dollars from special revenue funds to pay for salary increments of government employees. A total of \$4.7 million dollars was released from the Trust's Special Revenue Fund. This action conflicted with the Trust's mandate that Trust funds "shall not be used for operations of any government departments or line agencies." It is with uncertainty that payments will be received in the near future.

The only leasehold interest is the lease of the Rosario House, a historic home in Hagåtña. In 1999, due to the decrease in revenues, the Trust Board of Directors issued a request for a mutual termination agreement with the owners of the property, the estate of Louis and Rose Patton. A settlement to terminate the lease has yet to be realized.

Guam Preservation Trust  
(A Component Unit of the Government of Guam)

Governmental Funds Balance Sheet/Statements of Net Assets

September 30, 2009 and 2008

	Building Permit Fund (326)	Adjustments	2009 Statement of Net Assets	2008 Statement of Net Assets
<b>Assets:</b>				
Cash and cash equivalents <i>(Note 2)</i>	\$ 1,364,856	\$ ---	\$ 1,364,856	\$ 1,361,238
Investments <i>(Note 2)</i>	858,030	---	858,030	712,335
Due from Government of Guam				
Building Permit fund, net <i>(Note 3)</i>	858,380	---	858,380	812,388
Prepaid expenses	900	---	900	900
Property and equipment, at cost, net <i>(Note 4)</i>	---	2,124	2,124	4,657
	<u>---</u>	<u>2,124</u>	<u>2,124</u>	<u>4,657</u>
Total assets	\$ <u>3,082,166</u>	\$ <u>2,124</u>	\$ <u>3,084,290</u>	\$ <u>2,891,518</u>
<b>Liabilities:</b>				
Accrued expenses	\$ 45,063	\$ ---	\$ 45,063	\$ 40,830
Grant deposit	8,000	---	8,000	8,000
	<u>8,000</u>	<u>---</u>	<u>8,000</u>	<u>8,000</u>
Total liabilities	53,063	---	53,063	48,830
	<u>53,063</u>	<u>---</u>	<u>53,063</u>	<u>48,830</u>
Commitments and contingencies <i>(Note 5)</i>				
<b>Fund Balances/Net Assets:</b>				
Fund balances:				
Unreserved	3,029,103	( 3,029,103 )	---	---
	<u>3,029,103</u>	<u>( 3,029,103 )</u>	<u>---</u>	<u>---</u>
Total fund balances	3,029,103	( 3,029,103 )	---	---
	<u>3,029,103</u>	<u>( 3,029,103 )</u>	<u>---</u>	<u>---</u>
Total liabilities and fund balances	\$ <u>3,082,166</u>			
<b>Net Assets:</b>				
Invested in capital assets		2,124	2,124	4,657
Unrestricted		3,029,103	3,029,103	2,838,031
		<u>3,031,227</u>	<u>3,031,227</u>	<u>2,842,688</u>
		\$ <u>3,031,227</u>	\$ <u>3,031,227</u>	\$ <u>2,842,688</u>

See accompanying notes.

Guam Preservation Trust  
(A Component Unit of the Government of Guam)

Statement of Government Fund Revenues, Expenditures and  
Changes in Fund Balance/Statements of Activities

Years ended September 30, 2009 and 2008

	Building Permit Fund (326)	Adjustments	2009 Statement of Activities	2008 Statement of Activities
Revenue:				
Building permit fees	\$ 1,170,993	\$ ---	\$ 1,170,993	\$ 981,766
Interest income	<u>65,831</u>	<u>---</u>	<u>65,831</u>	<u>68,530</u>
Total revenue	<u>1,236,824</u>	<u>---</u>	<u>1,236,824</u>	<u>1,050,296</u>
Expenditures:				
Program services - projects/grants	<u>783,350</u>	<u>---</u>	<u>783,350</u>	<u>585,902</u>
Supporting services:				
Personnel (Note 6)	234,933	---	234,933	245,409
Contractual	46,323	---	46,323	44,204
Travel	22,666	---	22,666	37,812
Supplies and equipment rental	12,422	---	12,422	10,253
Rent (Note 5)	10,800	---	10,800	10,350
Trust fund and investment fees	4,968	---	4,968	4,561
Advertising	4,301	---	4,301	2,873
Communication	4,018	---	4,018	3,943
Miscellaneous	3,597	---	3,597	1,658
Depreciation expense	---	2,533	2,533	2,877
Stipend	2,300	---	2,300	2,350
Bad debt expense	---	---	---	80,715
	<u>346,328</u>	<u>2,533</u>	<u>348,861</u>	<u>447,005</u>
Total expenditures/expenses	1,129,678	2,533	1,132,211	1,032,907
Gain on sale of investments	77,782	---	77,782	70,942
Unrealized gain (loss) on investments	<u>6,144</u>	<u>---</u>	<u>6,144</u>	<u>( 85,243 )</u>
Excess of revenues over expenditures and gain/loss on investments	191,072	( 191,072 )	---	---
Change in net assets	---	188,539	188,539	3,088
Fund balance/net assets:				
Beginning of year	<u>2,838,031</u>	<u>---</u>	<u>2,842,688</u>	<u>2,839,600</u>
End of year	<u>\$ 3,029,103</u>	<u>\$ ---</u>	<u>\$ 3,031,227</u>	<u>\$ 2,842,688</u>

See accompanying notes.

Guam Preservation Trust  
(A Component Unit of the Government of Guam)

Reconciliation of the Governmental Funds Balance Sheet  
to the Statements of Net Assets

	September 30,	
	<u>2009</u>	<u>2008</u>
Fund balance - Building Permit Fund	\$3,029,103	\$2,838,031
Amounts reported for governmental activities in the Balance Sheet differ from the amounts reported in the Statement of Net Assets because:		
Capital assets used in the governmental activities are not financial resources and, therefore, are not reported in the funds	<u>2,124</u>	<u>4,657</u>
Net assets of governmental activities	<u>\$3,031,227</u>	<u>\$2,842,688</u>

*See accompanying notes.*

Guam Preservation Trust  
(A Component Unit of the Government of Guam)

Reconciliation of the Statements of Government Fund Revenues, Expenditures  
and Changes in Fund Balance of Governmental Funds to the  
Statements of Activities

	Years ended September 30,	
	<u>2009</u>	<u>2008</u>
Net change in fund balances - governmental funds	\$ 191,072	\$ 5,039
<p>Amounts reported for governmental activities in the Statement of Government Fund Revenues, Expenditures and Changes in Fund Balance differ from the amounts reported in the Statement of Activities because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives and depreciation expense. This is the amount by which the depreciation exceeded capital outlays</p>		
	( <u>2,533</u> )	( <u>1,951</u> )
Change in net assets of governmental activities	\$ <u>188,539</u>	\$ <u>3,088</u>

*See accompanying notes.*

Guam Preservation Trust  
(A Component Unit of the Government of Guam)

Notes to Financial Statements

Years ended September 30, 2009 and 2008

**1. Organization and Summary of Accounting Policies**

**Organization**

The Guam Preservation Trust (the Trust), is an expendable trust fund that was established by Public Law 20-151 dated March 21, 1990 (as amended by Public Law 21-07 on April 19, 1991 and amended by Public Law 27-89 on May 6, 2004).

The Trust was created for the following purposes:

- To seek grants and donations;
- To acquire title to threatened Guam properties for the preservation of their value whether in fee simple, leasehold, or by easement, through donation, transfer, dedication, purchase and eminent domain;
- To award grants for archaeological investigations;
- To prepare a Guam Preservation Trust Master Plan identifying by order of priority, the buildings, structures and sites which in the opinion of the Trust are deserving of preservation and which shall be preserved. The Trust shall hold a public hearing on the proposed plan and shall transmit the Plan to I Leheslaturan Guahan sixty (60) days prior to its implementation; and
- To support other activities directly related to increasing public appreciation of and benefit from historical places.

The Trust is a component unit of the Government of Guam. The Trust is governed by a Board of Directors, who shall be appointed by the Governor of Guam with the advice and consent of the Guam Legislature. Employees of the Trust are not Government of Guam employees and, accordingly, do not participate in the Government of Guam's retirement system.

**Basis of Presentation**

The Trust's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

The financial statements of the Trust are prepared in accordance with generally accepted accounting principles (GAAP). The Trust applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The Trust, as a component unit of the Government of Guam, applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

Guam Preservation Trust  
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

**1. Organization and Summary of Accounting Policies, continued**

**Government-wide Financial Statements**

The statement of net assets and the statement of activities display information about the Trust as a whole.

The statement of net assets presents the financial condition of the governmental activities of the Trust at year-end. The statement of activities presents the revenues, expenditures and reconciliation of net assets.

Revenues of the Trust are comprised of building permit fees and interest earned on the cash balances. Public Law 20-151, Section 13, provides that the Trust will receive building permit fees and re-inspection fees collected by the Department of Public Works of the Government of Guam and fines for vandalism and unlawful taking of historic properties.

**Fund Financial Statements**

During 2009 and 2008, the Trust accounted for its financial activities in a single governmental fund. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. Governmental funds are those through which most governmental functions are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. The difference between governmental fund assets and liabilities is reported as fund balance. The Trust's only governmental fund is the building permit fund.

**Measurement Focus/Government-wide and Fund Financial Statements**

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the Trust are included on the statement of net assets.

The building permit fund is accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balance reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared.

Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the building permit fund.



Guam Preservation Trust  
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Notes to Financial Statements, continued

**1. Organization and Summary of Accounting Policies, continued**

**Measurement Focus/Government-wide and Fund Financial Statements, continued**

The modified accrual basis of accounting is used by governmental funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means that the amount of the transaction can be determined and “available” means that the amount of the transaction is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A one-year availability period is used for revenue recognition for all governmental fund type revenues. Expenditures are recorded when the related fund liability is incurred.

**Cash and Cash Equivalents**

For the purpose of presentation in the Governmental Funds balance sheet/statement of net assets, cash and cash equivalents consist of cash balances deposited in banks and money market accounts.

**Investments**

Investments and related investment earnings are recorded at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

**Capital Assets**

Property and equipment are stated at cost at the date of acquisition. The costs of normal maintenance and repairs that do not add to the asset value or materially extend the useful life of the assets are expensed. Capital assets are depreciated over a period of 3 to 5 years using the straight-line method.

**Revenue Recognition**

Revenues are recorded upon notification of receipt of building permit fees by the Government of Guam’s Department of Administration.

**Guam Preservation Trust**  
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

**1. Organization and Summary of Accounting Policies, continued**

**Income Taxes**

The Trust is exempt from Guam income taxes under Section 501(c)(3) of the Guam Territorial Income Tax Laws.

**Compensated Absences**

Governmental Accounting Standards Board Statement No. 16, Accounting for Compensated Absences, provides that liabilities for vacation leave and other compensated absences, excluding sick leave, will be accrued provided the leave is attributable to past service.

The Trust compensates its employees for annual leave as follows:

- One half day (4 hours) for each full biweekly pay period in the case of employees with less than (1) to five (5) years of service;
- Three-fourths day (6 hours) for each biweekly pay period except that for accrual for the last full biweekly pay period in the year shall be one and one-fourth (10 hours) in the case of employees with six (6) to ten (10) years of service;
- One day (8 hours) for each full biweekly pay period in the case of employees with eleven (11) or more years of service.

Employees entitled to annual leave may accumulate up to four hundred eighty (480) hours thereof. Any annual leave earned by eligible employees in excess of four hundred eighty (480) hours shall be automatically credited to such employee's accumulated sick leave, provided, that not more than one hundred (100) hours shall be credited to said sick leave.

**Fund Balances**

Unreserved fund balances for governmental funds represent the amount available for funding future operations. Reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Guam Preservation Trust  
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

**1. Organization and Summary of Accounting Policies, continued**

**New Accounting Standards**

In May 2007, GASB issued Statement No. 50, *Pension Disclosures, an amendment of GASB Statements No. 25 and 27*. GASB Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other post employment benefits. Management believes the implementation of this statement did not have a material impact on the accompanying financial statements of the Trust.

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. GASB Statement No. 51 addresses whether and when intangible assets should be considered capital assets for financial reporting purposes. The provisions of this statement are effective for periods beginning after June 15, 2009. Management believes the implementation of this statement will not have a material impact effect on the accompanying financial statements of the Trust.

In November 2007, GASB issued Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. GASB Statement No. 52 improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. The provisions of this statement are effective for periods beginning after June 15, 2008. Management believes the implementation of this statement did not have a material effect on the accompanying financial statements of the Trust.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. GASB Statement No. 53 is intended to improve how state and local governments report information about derivative instruments - financial arrangements used by governments to manage specific risks or make investments - in their financial statements. The provisions of this statement are effective for periods beginning after June 15, 2009. Management believes the implementation of this statement will not have a material impact on the accompanying financial statements of the Trust.

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The provisions of this statement are effective for periods beginning after June 15, 2010.

In March 2009, GASB issued Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which improves financial reporting by contributing to the GASB efforts to codify all GAAP for state and local governments so that they derive from a single source.

Guam Preservation Trust  
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Notes to Financial Statements, continued

**1. Organization and Summary of Accounting Policies, continued**

**New Accounting Standards. continued**

In March 2009, GASB issued Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*, which incorporates accounting and financial reporting guidance previously only contained in the American Institute of Certified Public Accountants (AICPA) auditing literature into the GASB's accounting and financial reporting literature for state and local governments, and addresses three issues from the AICPA's literature - related party transactions, going concern considerations, and subsequent events.

In December 2008, GASB issued Technical Bulletin No. 2008-1, *Determining the Annual Required Contribution Adjustment for Postemployment Benefits*, which clarifies the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for calculating the annual required contribution (ARC) adjustment. The provisions of this statement are effective for periods beginning after December 15, 2008. Management believes the implementation of this statement will not have a material effect on the accompanying financial statements of the Trust.

**2. Cash and Cash Equivalents and Investments**

In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, the Trust has assessed the custodial credit risk, interest rate risk, credit risk, and concentration of credit risk of its cash and cash equivalents, and investments.

Cash and cash equivalents and investments as of September 30, 2009 and 2008 are classified in the statements of net assets as follows:

	<u>2009</u>	<u>2008</u>
Cash and cash equivalents	\$ <u>1,364,856</u>	\$ <u>1,361,238</u>
Investments	\$ <u>858,030</u>	\$ <u>712,335</u>

The Trust uses market quotations to measure fair value of investments.

Guam Preservation Trust  
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

**2. Cash and Cash Equivalents and Investments, continued**

*Custodial Credit Risk*

Custodial credit risk for cash and cash equivalents is the risk that in the event of a bank failure, the Trust's deposits may not be returned to it. The Trust does not have a deposit policy for custodial credit risk. As of September 30, 2009 and 2008, cash and cash equivalents were held by depositories and amounted to \$1,364,856 and \$1,361,238, respectively, of which \$565,803 and \$428,820, respectively, were insured and \$799,053 and \$932,418, respectively, were uninsured and uncollateralized. Based on negotiated trust and custody contracts, all of the investments were held in the Trust's name by the Trust's custodial financial institution at September 30, 2009 and 2008.

As of September 30, 2009 and 2008, the Trust also had \$417,454 and \$401,962, respectively, deposited in an interest bearing money market account which can be liquidated within 24 hours notice to the bank. The account is backed by short term U.S. treasury securities but is not insured by the Federal Deposit Insurance Corporation.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Trust will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Trust does not have an investment policy for custodial credit risk.

*Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. To minimize interest rate risk, the maturities of investments are limited to one year or less. This reduces the impact of interest rate movements seen with longer maturity investments.

Guam Preservation Trust  
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

**2. Cash and Cash Equivalents and Investments, continued**

*Concentration of Credit Risk*

Concentration of credit risk for investments is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. The Trust minimized credit risk losses by limiting investments to low risk securities. The following represents the Trust's investments as of September 30, 2009 and 2008:

<u>Type</u>	<u>2009</u>		<u>2008</u>	
	<u>Amount</u>	<u>% of Portfolio</u>	<u>Amount</u>	<u>% of Portfolio</u>
Certificates of Deposit	\$435,530	51%	\$525,645	74%
Stocks	<u>422,500</u>	<u>49%</u>	<u>186,690</u>	<u>26%</u>
	<u>\$858,030</u>	<u>100%</u>	<u>\$712,335</u>	<u>100%</u>

As of September 30, 2009, the Trust had a formal investment policy adopted.

**3. Due from Government of Guam Building Permit Fund**

The due from Government of Guam Building Permit Fund balance represents accumulated building permit fees and reinspection fees collected and deposited with the Treasurer of Guam by the Government of Guam's Department of Public Works but not yet transferred to the Trust. Management of the Trust is of the opinion that such balances are due and payable to the Trust. However, issues relating to this outstanding balance exist at September 30, 2009 and 2008. Accordingly, the Trust has recorded an allowance for uncollectible receivables of \$5,426,711 as of September 30, 2009 and 2008, respectively.

**4. Property and Equipment**

The following is a summary of the changes in capital assets for the years ended September 30, 2009 and 2008:

	<u>Beginning Balance October 1, 2008</u>	<u>Additions</u>	<u>Transfers and Deletions</u>	<u>Ending Balance September 30, 2009</u>
Furniture, fixtures, and equipment	\$13,750	\$ ---	\$ ---	\$13,750
Less accumulated depreciation	( 9,093)	(2,533)	---	(11,626)
Investment in capital assets	<u>\$ 4,657</u>	<u>\$(2,533)</u>	<u>\$ ---</u>	<u>\$ 2,124</u>

Guam Preservation Trust  
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

**4. Property and Equipment, continued**

	Beginning Balance <u>October 1, 2007</u>	<u>Additions</u>	Transfers and <u>Deletions</u>	Ending Balance <u>September 30, 2008</u>
Furniture, fixtures, and equipment	\$12,824	\$ 926	\$ ---	\$13,750
Less accumulated depreciation	( 6,216)	(2,877)	---	( 9,093)
Investment in capital assets	<u>\$ 6,608</u>	<u>\$(1,951)</u>	<u>\$ ---</u>	<u>\$ 4,657</u>

**5. Commitments and Contingencies**

In 1991, the Trust acquired a leasehold interest in a Guam property of historical significance. The lease agreement, which expires on December 31, 2037, calls for the Trust to remit monthly payments totaling \$798 up to 2012 and will increase every ten years thereafter.

The Trust issued a letter of termination dated December 10, 1998. Rental payments have not been remitted since September 1999 and total approximately \$94,000 and \$85,000, as of September 30, 2009 and 2008, respectively. The lessor has not taken efforts to collect.

The Trust, as a component unit of the Government of Guam, is covered under the Government of Guam Claims Act. This act prohibits the lessor from pursuing collection of outstanding rents beyond the past 18 month period. Accordingly, the Trust believes its maximum obligation as of September 30, 2009 will not exceed approximately \$14,000. Because the lessor has not pursued collection, the Trust has not recorded any accrued liability.

Future rental payments as of September 30, 2009, are as follows:

Year ending September 30,

2010	\$ 9,576
2011	9,576
2012	9,576
2013	10,536
2014	10,536
Thereafter	<u>264,077</u>
	<u>\$313,877</u>

Guam Preservation Trust  
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

**5. Commitments and Contingencies, continued**

The Trust has a lease agreement that is renewed annually to rent office space for its operations. Rent expense incurred for the years ended September 30, 2009 and 2008 totaled \$10,800 and \$10,350, respectively.

The Trust has commitments to pay \$1,121,275 to fund grants approved as of September 30, 2009. The Trust will release the funds to the grantees only upon satisfactory performance by the grantees of requirements called for in their respective grant agreements.

In May 2007, the Trust received a levy from the United States Internal Revenue Service (IRS). The IRS seeks to obtain payment of taxes owed by a Trust grant recipient. However, the Trust had disbursed grant monies to the recipient prior to receiving the IRS levy. The Trust communicated this situation to the IRS and no reply has been received from the IRS. The Trust has not recorded any liability on its 2009 and 2008 financial statements.

**6. Employee's Retirement Plan**

Employees of the Trust are not classified as Government of Guam employees and do not participate in the Government of Guam Employees' Retirement System. Instead, the Trust's Board of Directors, through Resolution 0806-31, approved the adoption of a Simple IRA Retirement Plan.

Employees can contribute up to the maximum allowable limit and the Trust offers a matching contribution of up to three percent (3%) of the gross annual salary of employees. To qualify, employees must complete one year of service with the Trust.

For the years ended September 30, 2009 and 2008, the retirement contribution amounted to \$5,847 and \$5,521, which is included as a component of personnel services in the accompanying Statements of Government Fund Revenues, Expenditures and Changes in Fund Balance/Statements of Activities.

**7. Subsequent Events**

The Trust has evaluated subsequent events through February 15, 2010 which is the date the financial statements were available to be issued.



Other Financial Information

**Guam Preservation Trust**  
(A Component Unit of the Government of Guam)

September 30, 2009

Schedule of Grant Projects Reserved for Encumbrances

<u>Description</u>	<u>Grant no.</u>	<u>Date approved</u>	<u>Grant amount</u>	<u>Year-to-date expenditures FYE 09/30/08</u>	<u>Expenditures year-ended 09/30/09</u>	<u>Outstanding encumbrance 09/30/09</u>
Baltazar Aguon - Constantly Chamorro	GPTG-043	06/09/98	\$ 45,000	\$ 43,380	\$ -	\$ 1,620
Guam Museum - Inventory of Collections	GPTG-0701	03/26/07	69,400	35,325	34,075	-
Inalahan Historic Foundation - Meno House - Amendment I	GPTG-0704	02/13/08	14,000	-	-	14,000
Ann Card - Cultural Heritage Program	GPTG-0706	09/26/07	30,000	14,475	15,030	495 *
Lon Bulgrin - Rosario House Ceramic and Glass Catalog	GPTG-0801	03/10/08	10,588	-	5,446	5,142
Vincent Perez - Archaeological Services	GPTG-0802	04/14/08	2,000	-	2,000	-
Wakako Higuchi - Archival Research Part I: Japanese Navy Administration of Guam	GPTG-0803	06/30/08	4,341	-	4,341	-
Traditions About Seafaring Islands (TASI) - Sakman	GPTG-0804	07/16/08	5,000	4,734	266	-
Wakako Higuchi - Archival Research Part II: Japanese Navy Administration of Guam	GPTG-0805	09/10/08	9,060	-	7,920	1,140 *
Shannon Murphy - Guampedia Phase III	GPTG-0806	09/10/08	22,500	-	16,120	6,380
Guam Museum - Amendment I	GPTG-0807	09/10/08	36,573	-	17,779	18,794
Wakako Higuchi - Archival Research Part III: Japanese Navy Administration of Guam	GPTG-0808	09/10/08	7,940	-	7,313	627 *
Bernie Shuman - Camp Roxas Film	GPTG-0809	09/10/08	5,590	-	5,000	590 *
Department of Parks and Recreation - Historic Landmark Signs	GPTG-0810	09/10/08	11,790	-	5,005	6,785
Traditions About Seafaring Islands (TASI) - Gumã Sakman	GPTG-0811	09/10/08	27,120	-	-	27,120
Duenas & Bordallo - Plaza De Espana	GPTG-0901	03/10/09	37,480	-	-	37,480
TASI - Saina Maiden Voyage	GPTG-0902	06/18/09	5,000	-	2,500	2,500
Fort Nuestra De La Soledad. Umatac	BP-0601	10/01/06	8,000	5,950	-	2,050
UOG Archaeological Program	BP-0701	06/07/07	127,622	47,917	79,512	193
UOG Archeology Program - Year 2 Amendment 1	BP-0701	06/13/08	140,240	-	20,430	119,810
Guam Visitors Bureau - Guam Micronesia Island Fair	BP-0803	09/17/08	5,000	-	5,000	-
Sub-total carried forward			624,244	151,781	227,737	244,726

**Guam Preservation Trust**  
(A Component Unit of the Government of Guam)

September 30, 2009

Schedule of Grant Projects Reserved for Encumbrances, continued

Description	Grant no.	Date approved	Grant amount	Year-to-date expenditures FYE 09/30/08	Expenditures year-ended 09/30/09	Outstanding encumbrance 09/30/09
Sub-total brought forward			\$ 624,244	\$ 151,781	\$ 227,737	\$ 244,726
UOG Archeology Program - Year 2 Amendment 2 - HSR Plaza	BP-0804	09/10/08	25,000	-	-	25,000
UOG Archeology Program - Year 2 Amendment 3 - Pac Arch Conf		02/09/09	25,000	-	20,058	4,942
UOG Archeology Program - Year 3		09/16/09	83,600	-	-	83,600
Guam History Day	BP-0902	04/08/09	105,483	-	105,035	448 *
Annual Report	BP-0903	01/14/09	1,425	-	1,425	-
Department of Chamorro Affairs - Chamorro Month	BP-0904	02/11/09	5,000	-	4,217	783 *
Department of Parks and Recreation - Summer Camp	BP-0905	04/08/09	4,948	-	2,404	2,544 *
Summer Field School	BP-0906	07/08/09	28,003	-	30,294	(2,291) **
Exploring Guam's Heritage	BP-0907	07/08/09	8,290	-	-	8,290
Guam Visitors Bureau - Guam Micronesia Island Fair	BP-0908	08/12/09	5,000	-	5,000	-
Pa'a Taotao Tano	BP-0909	08/12/09	2,500	-	-	2,500
Winzler & Kelly (A/E) - Taleyfac Bridge	HS-0702	09/05/07	180,000	160,986	18,978	36 *
Setiadi Architects (A/E) - Lujan House - Amendment 1	HS-0703	01/09/09	45,360	-	20,790	24,570
JRN Refrigeration - MG Cook School	HS-0801	08/07/08	93,670	-	93,670	-
JRN Refrigeration - MG Cook School - Change Order		10/01/09	8,429	-	8,429	-
Duenas & Bordallo - Guam Legislature - Structural Assessment	HS-0802	06/04/08	40,500	24,300	16,200	-
JRN Refrigeration - Lujan House	HS-0901	01/14/09	697,700	-	116,910	580,790
Architects RNK - Guam Legislature	HS-0902	05/11/09	220,000	-	110,000	110,000
Motion - Topo Survey - Balagtas & Assoc		05/28/09	2,200	-	2,200	-
Motion - LEED Certification		08/12/09	42,000	-	-	42,000
			<u>\$ 2,248,352</u>	<u>\$ 337,067</u>	<u>\$ 783,347</u>	<u>\$ 1,127,938</u>

\* Represents grant projects that have been completed and whose grant balances will be reverted back to the Trust: ( 6,663 )  
Total outstanding encumbrance as of FY2009: \$ 1,121,275

\*\* Represents amounts to be reimbursed to the Trust, which was uncollected as of September 30, 2009.



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