Speaker's Office <speaker@guamlegislature.org>

MC Fwd: Guam Preservation Trust FY 2018 Financial Audit Reports

1 message

Speaker's Office <speaker@guamlegislature.org> Tue, Apr 16, 2019 at 2:40 PM
To: Clerks Office <clerks@guamlegislature.org>
Cc: Rennae Meno <rennae@guamlegislature.org>
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04-16-19	10:47 AM	04-16-19	Guam Preservation Trust FY 2018 Financial Audit Reports.*	Guam Preservation Trust	35GL-19-0381

35GL-19-0381
Speaker Tina Rose Muña Barnes

APR 16 2019
Time 10:47 (AM) ( )PM
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Sinsenru yan Minagâhet,

Office of the Speaker • Tina Rose Muña Barnes
Committee on Public Accountability, Human Resources & the Guam Buildup

35th Guam Legislature
I Mina'trentai Singko na Liheslaturan Guåhan

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Gumai pribilehu yan konfedensia este siha na mensåhi. Solo espesiåtmente para hågu ma entensioña pat ma aturisa para unrisibi. Sen prubidu kumu ti un ma aturisa para manribisa, na'setbe, pat mandespåtcha. Yanggen lachi rinisibu-mu nu este na mensåhi, put fabot ago' guatu gi I numa'huyong gi as speaker@guamlegislature.org yan despues destrosa todu siha I kopian mensåhi. Si Yu'os ma'åse'.

---------- Forwarded message ---------
From: **Michele Brillante** <mbrillante@guamopa.com>
Date: Tue, Apr 16, 2019 at 10:47 AM
Subject: Guam Preservation Trust FY 2018 Financial Audit Reports
To: <speaker@guamlegislature.org>, Telena C. Nelson <senatortcnelson@guamlegislature.org>, <officeofsenatorshelton@guamlegislature.org>, <office.senatorkelly@guamlegislature.org>, Régine Biscoe Lee <senatorbiscoelee@guamlegislature.org>, Joe S. San Agustin <senatorjoessanagustin@gmail.com>, Therese Terlaje <senatorterlajeguam@gmail.com>, <sen.cridgell@teleguam.net>, <senatorpedo@senatorjpterlaje.com>, <office@senatorperez.org>, William M. Castro <wilcastro671@gmail.com>, Louise Borja Muna <senatorlouise@gmail.com>, <senatortelot@gmail.com>, <senatormoylan@guamlegislature.org>, Mary Camacho Torres <senatormary@guamlegislature.org>, <corguamlegislature@gmail.com>
Cc: BJ Cruz <bjcruz@guamopa.com>, Michele Brillante <mbrillante@guamopa.com>

Hafa Adai,

Transmitted electronically are the Guam Preservation Trust's (GPT) FY 2018 Financial Statements, Report on Compliance and on Internal Control, Management Letter, and Letter to Those Charged with Governance. Also transmitted herein is the Office of Public Accountability's (OPA) two-page highlights. These reports and our highlights may also be found on our website at http://www.opaguam.org.

Regards,

Michele Brillante
Accountability Auditor

Office of Public Accountability - Guam
"Auditing for Good Governance"

Main: 475-0390 ext. 217 | Fax: 472-7951 | Hotline: 472-8348
Website @ www.opaguam.org

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0381

Compliance and Internal Control

Guam Preservation Trust

(A Component Unit of the Government of Guam)

September 30, 2018



Building a better working world

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

Report on Compliance and Internal Control

September 30, 2018

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Report of Independent Auditors 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*.....1

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Report of Independent Auditors 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, 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, the financial statements of the governmental activities and the General Fund of the Guam Preservation Trust (the Trust), as of and for the year ended September 30, 2018, and the related notes to the financial statements, and have issued our report thereon dated March 28, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Trust's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not 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 *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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

Our consideration of internal control 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control over compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ernst + Young LLP

March 28, 2019

Financial Statements and
Supplementary Information

Guam Preservation Trust

(A Component Unit of the Government of Guam)

Year ended September 30, 2018
with Report of Independent Auditors



Building a better working world

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

Financial Statements and
Supplementary Information

Year ended September 30, 2018

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Report of Independent Auditors

The Board of Directors
Guam Preservation Trust

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the General Fund of the Guam Preservation Trust (the Trust), a component unit of the Government of Guam, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of the Trust as of September 30, 2018, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

Other matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 4 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Trust's basic financial statements. The supplementary comparative financial statement information included in pages 25 and 26 and the Schedule of Grant Projects Reserved for Encumbrances included in page 27 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary comparative financial statement information and the Schedule of Grant Projects Reserved for Encumbrances are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the comparative financial statement information and the Schedule of Grant Projects Reserved for Encumbrances are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated March 29, 2019 on our consideration of the Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Trust's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust's internal control over financial reporting and compliance.

Ernst + Young LLP

March 28, 2019

Management's Discussion and Analysis

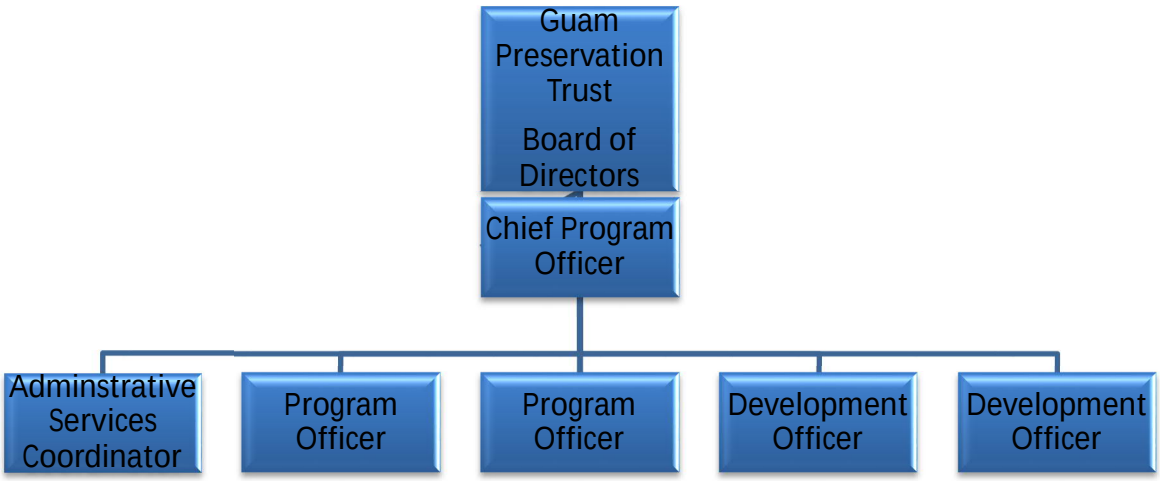
The Management's Discussion and Analysis (MD&A) of the Guam Preservation Trust's financial performance provides an overall review of the Trust's financial activities for the fiscal year ended September 30, 2018. This presentation is provided to better understand the Trust and its financial status in accordance with United States generally accepted accounting principles promulgated by the Standards of the Government Accounting Standards Board (GASB).

Introduction

The Guam Preservation Trust (the Trust) was created in 1990 as a non-profit, public corporation governed by a Board of Directors. It is dedicated to preserving Guam's historic sites and culture as well as educating the public about those issues. Although primarily tasked with restoring historic structures, which are listed in the Guam Register of Historic Places and/or the National Register of Historic Places, the Guam Preservation Trust also supports various types of heritage projects.

Management

The 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 Friday of the month at 3:00pm. In Fiscal Year 2018, a total of six (6) Trust Board of Directors meetings were conducted and a total of thirty-six (36) board resolutions were made. Attendance of Board Members representing four of the five disciplines constitutes a quorum.



Management's Discussion and Analysis, continued

Management, continued

The Trust Board Members by discipline are:

Discipline	Primary	Alternate
Architecture	Michael Makio, AIA (Board Chair)	(Vacant)
Archaeology	(Vacant)	Jolie Liston
Chamorro Culture	Rebecca Dueñas	(Vacant)
History	Eric Forbes	(Vacant)
Planning	Dave Lotz	(Vacant)

The Trust is currently staffed by Joseph Quinata, Chief Program Officer; Ruby Santos, Administrative Services Coordinator; Andrew Tenorio, Program Officer; Victor Camacho, Development Officer; Charmaine Ledesma, Program Officer; and Lawrence Borja, Development Officer. The Trust personnel are non-government employees and are governed by the Trust's personnel handbook. Legal and accounting services are contracted by the Trust. The Trust conducts procurement activities in accordance with Guam procurement laws.

The 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 Trust Mission

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

2018 Highlights

Restoration, Rehabilitation, and Reconstruction of Historic Structures
The Guam Preservation Trust completed the rehabilitation and reconstruction of two homes (Doris Lujan House and Juan Flores House) in the Historic District of Inarajan. In addition, the GPT Board approved the services of Architectural and Engineering Design for two homes acquired by the Trust (Augustine San Nicolas House in Inarajan and Vicente Rosario House in Hagatna).

Capacity Building for Historic Preservation in Guam and the Pacific
The Guam Preservation Trust, in partnership with local and federal organizations such as the Guam Bureau of Planning and Statistics, the Advisory Council for Historic Preservation (ACHP), Guam Community College, University of Guam, and the U.S. Department of Interior, have provided technical training to build the capacity of professionals in historic preservation. A total of over 200 professionals from the fields of archaeology, architecture, engineering, and historic preservation technicians from the region participated in their respective training sessions. A total of $126,473 was awarded to the Guam Preservation Trust for the three-year Pacific Preservation grant program (www.pacificpreservation.org). This award has been the largest received that is dedicated to building the capacity of our preservationists in Guam and the Pacific.

2018 Highlights, continued

Historic Preservation and Secondary School-Aged Youth
The Guam Preservation Trust in partnership with local and national organizations continues to provide teachers and youth with resources and opportunities to become stewards in heritage preservation. Two significant programs are the Guam/National History Day and the Pacific Heritage Youth Summit. With the Trust and community funding from both national and local communities, these programs continue to provide necessary tools for students to participate in historic preservation in their respective communities. Approximately $200,000 of funding and in-kind contributions was dedicated annually and biennially towards the betterment for our children… our future.

Community Partnerships and Investments
In 2018, the Trust partnered with over 55 public and private organizations, and individuals from the community to oversee 11 grants and projects to accomplish our *proposed outcomes* (Goals) for the year. All have been successful in their respective delivery to the community for their benefit and appreciation.

Regional and National Support
The Trust made strides in developing partnerships with technical and professional resources in the preservation arena. These resources are invaluable and contribute to the capacity building of our community in advancing preservation on Guam. The following are preservation partners in the region and the nation:

> National Preservation Institute (NPI); Asian & Pacific Islanders American for Historic Preservation (APIAHiP); National History Day, Inc. (NHD); The National Trust for Historic Preservation (NTHP); National Park Service; Association for Preservation Technology International (APT); U.S. Department of Interior (DOI/TAP); and The Nature Conservancy (TNC), and National Oceanographic and Atmospheric Agency (NOAA.), Rota Mayor's Office, CNMI Public School Systems, and Rota Historic Preservation Office.

Trust Goals

1. Historic Property Documentation and Register Nomination

The 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.

Action Outcomes
No proposals were received for this category; therefore, no funding was approved for fiscal year (FY) 2018.

Trust Goals, continued

2. Public Interpretation and Presentation

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

Action Outcomes

Project Name	Date Approved	Amount Approved	Expenditures to Date	Balance at 09/30/18
Taleyfac Bridge Signage	04/17/13	$ 10,000	$ 215	$ 9,785
The Ritidian Story: An Illustrated History of Ancient Life & Landscape at Ritidian	06/19/13	5,000	5,000	---
Amot Hunters*	11/13/13	5,000	3,750	1,250
Teaching With Historic Places	08/13/15	14,400	4,315	10,085
Pacific Preservation Project (Department of Interior (DOI) Federal Grant)	03/14/16	126,473	126,473	---
Five Year Strategic Plan*	07/11/16	2,500	2,454	46
Guam and National History Day 2017*	02/13/17	25,000	24,935	65
Capital Campaign	07/10/17	20,000	266	19,734
A Day at the Museum	08/01/17	15,000	15,000	---
National Trust for Historic Preservation Conference	09/29/17	12,333	12,333	---
Humatak Revitalization Plan	11/08/17	50,000	12,500	37,500
GPT Strategic Plan*	12/06/17	10,000	7,250	2,750
CHamoru Language Competition	12/06/17	500	500	---
Pacific Heritage Youth Summit (PHYS)*	07/10/17	20,000	7,411	12,589
National Park Service Grant	08/21/17	30,800	30,800	---
Guam Women's Club Grant	04/27/18	1,000	1,000	---
Pacific Preservation Project*	01/31/18	10,000	55	9,945
Guam and National History Day 2018	04/05/18	24,000	24,000	---
Takhelo na Tiningo gi Fino Yan Kutturan CHamoru	04/13/18	55,606	-	55,606
Kosas Camp	04/30/18	10,500	10,500	---
Congressional Art Competition*	05/01/18	1,000	990	10
Total		**$ 449,112**	**$ 289,747**	**$ 159,365**
**Unused balance at September 30, 2018 will be reverted back to the Trust.*				

3. Architectural Research

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.

Trust Goals, continued

3. Architectural Research, continued

Action Outcomes

Project Name	Date Approved	Amount Approved	Expenditures to Date	Balance at 09/30/18
FQ Sanchez Facility A&E	12/18/14	$ 208,054	$ 207,554	$ 500
Architecture Book for Guam	02/23/15	49,500	41,250	8,250
Total		**$ 257,554**	**$ 248,804**	**$ 8,750**
**Unused balance at September 30, 2018 will be reverted back to the Trust.*				

4. 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.

Action Outcomes

Project Name	Date Approved	Amount Approved	Expenditures to Date	Balance at 09/30/18
Pagat, Haputo, Hilaan Documentary*	07/24/12	$ 5,000	$ 4,500	$ 500
Total		**$ 5,000**	**$ 4,500**	**$ 500**
**Unused balance at September 30, 2018 will be reverted back to the Trust.*				

5. 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.

Action Outcomes

Project Name	Date Approved	Amount Approved	Expenditures to Date	Balance at 09/30/18
Guam Congress Building	05/18/15	$ 2,759,278	$ 2,758,379	$ 899
Change Order I	07/21/16	24,101	---	24,101
4 Historic Homes in Inarajan - Construction Administration	06/22/15	128,960	34,083	94,877
Malesso Bell Tower & Magellan Monument*	08/20/15	101,413	98,624	2,789
Doris Lujan House*	07/11/16	410,392	399,392	11,000
Change Order I	09/15/17	14,532	14,532	---
Antonia Chargualaf House	08/18/17	350,000	---	350,000
Change Order I	09/29/17	43,350	---	43,350
Rosario House A&E	01/31/18	96,488	---	96,488
San Nicolas House A&E	01/31/18	83,218	---	83,218
Total		**$ 4,011,732**	**$ 3,305,010**	**$ 706,722**
**Unused balance at September 30, 2018 will be reverted back to the Trust.*				

Trust Goals, continued

6. Archaeological Research

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

Action Outcomes

Project Name	Date Approved	Amount Approved	Expenditures to Date	Balance at 09/30/18
Latte Quarrying Project	10/22/15	$ 6,200	$ 2,592	$ 3,608
Pilot Study of Ancient mtDNA in the Dentitions from Naton Beach - Phase 2	02/24/17	4,336	4,336	---
Developing Maritime Archaeology	02/27/17	20,250	15,200	5,050
Total		**$ 30,786**	**$ 22,128**	**$ 8,658**

7. 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.

Action Outcomes
No proposals were received for this category; therefore, no funding was approved for FY2018.

8. Legislative Initiative (Public Law 31-19)

Project Name	Date Approved	Amount Approved	Expenditures to Date	Balance at 09/30/18
Manuel Guerrer Bldg. Demolition */**	06/04/15	$ 700,000	$ 345,086	$ 354,914
Humatak Bridge Repair */**	08/22/16	300,000	262,000	38,000
Total		**$ 1,000,000**	**$ 607,086**	**$ 392,914**

**Unused balance at September 30, 2018 will be reverted back to the Trust.*

***Public Law 33-120 reappropriated $300,000 of the $1million Manuel Guerrero Building Demolition project towards the repair of the Humatac Bridge.*

Financial Analysis

Our analysis is based on the following condensed financial data for the years ended September 30, 2018, 2017 and 2016.

	September 30, 2018	September 30, 2017	September 30, 2016	2018 % increase (decrease) from 2017
Statement of Net Position				
Assets:				
Cash and cash equivalents	$ 765,712	$ 330,233	$ 957,232	131.87%
Investments	1,212,885	2,124,789	2,579,606	-42.92%
Due from building permit fund, net	122,889	---	259,760	---
Prepaid expenses	---	---	9,622	---
Other assets	10,282,859	10,268,911	10,279,215	0.14%
Total assets	12,384,345	12,723,933	14,085,435	-2.67%
Liabilities:				
Accrued expenses	74,471	63,574	459,734	17.14%
Deferred revenue	---	14,364	---	---
Deposits payable - grants	8,000	8,000	8,000	0.00%
Total liabilities	82,471	85,938	467,734	-4.03%
Net position:				
Invested in capital assets	374,159	360,211	370,515	3.87%
Unrestricted	2,019,015	2,369,084	3,323,633	-14.78%
Restricted	9,908,700	9,908,700	9,923,553	0.00%
Total net position	$ 12,301,874	$ 12,637,995	$ 13,617,701	-2.66%

Management's Discussion and Analysis, continued

Financial Analysis, continued

	Year ended September 30, 2018	Year ended September 30, 2017	Year ended September 30, 2016	2018 % increase (decrease) from 2017
Statement of Activities				
Building permit fees	$ 611,435	$ 676,182	$ 721,233	-9.58%
Grants / support - unrestricted	109,600	70,344	57,921	55.81%
Interest income	26,199	22,923	48,026	14.29%
Total revenues	747,234	769,449	827,180	-2.89%
Expenditures	(1,141,355)	(1,811,467)	(3,611,526)	-36.99%
Unrealized gain on investments	58,000	62,312	142,705	-6.92%
Decrease in net position	(336,121)	(979,706)	(2,641,641)	-65.69%
Net position at beginning of year	12,637,995	13,617,701	16,259,342	-7.19%
Net position at end of year	$ 12,301,874	$ 12,637,995	$ 13,617,701	-2.66%

Revenues

The 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 and compared to totals listed on the Trust's Special Accounts with the Guam Department of Administration. For FY 2018, a total of $611,435 was collected from building permit fees, a decrease by $64,747 or -9.58% from the 2017 total of $676,182. The decrease in revenue is attributed to the decrease in construction activity due in part to the drastic decrease in H-2 Worker approval by U.S. Immigration Agency. We are expecting a further decrease in construction activity in 2019 if the H-2 Workers for construction continues in its trend.

Investments

Interest income on investments increased by 14.29% between FY 2018 and FY 2017. In FY 2018, $26,199 was earned on interest income, compared to $22,923 in Fiscal Year 2017. The increase is largely attributed in part to the decrease in drawdowns in FY 2018 for capital improvement projects.

Expenditures

Overall expenditures for FY 2018 is $1,141,355, a decrease of 36.99% from FY 2017 total of $1,811,467. This is attributed to the tapering off and near-completion of major capital improvement projects, such as the rehabilitation and reconstruction of the Doris Flores Lujan House in Inarajan ($410,392) and the Antonia Chargualaf House in Inarajan ($350,000). Although the Trust invested and approved almost $300,000 for FY 2018, our overall projects generated additional funding of about $100,000 from partner-contributed funds.

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

Governmental Funds Balance Sheet/Statement of Net Position

September 30, 2018

	General Fund	Adjustments	Statement of Net Position
Assets:			
Cash and cash equivalents *(Note 3)*	$ 765,712	$ ---	$ 765,712
Investments *(Note 3)*	1,212,885	---	1,212,885
Due from Government of Guam Building Permit Fund, net *(Note 4)*	122,889	---	122,889
Depreciable capital assets, net (*Notes 2 and 5*)	---	59,111	59,111
Nondepreciable capital assets (*Notes 2 and 5*)	---	10,223,748	10,223,748
Total assets	$ 2,101,486	10,282,859	12,384,345
Liabilities and Fund Balance/Net Position:			
Accrued expenses	$ 28,825	---	28,825
Grant deposit	8,000	---	8,000
Long-term liability *(Note 9)* :			
Due in one year	---	7,706	7,706
Due after one year	---	37,940	37,940
Total liabilities	36,825	45,646	82,471
Commitments and contingencies (*Note 6*)			
Fund balances - assigned *(Note 2)*	2,064,661	(2,064,661)	---
Total fund balances	2,064,661	(2,064,661)	---
Total liabilities and fund balances	$ 2,101,486		
Net position:			
Invested in capital assets		374,159	374,159
Unrestricted		2,019,015	2,019,015
Restricted *(Note 5)*		9,908,700	9,908,700
Total net position		$ 12,301,874	$ 12,301,874

See accompanying notes.

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

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

Year ended September 30, 2018

	General Fund	Adjustments	Statement of Activities
Revenues:			
Building permit fees	$ 611,435	$ ---	$ 611,435
Grants and other support	109,600	---	109,600
Interest income	26,199	---	26,199
Total revenues	747,234	---	747,234
Expenditures:			
Program services - projects/grants	562,700	---	562,700
Supporting services:			
Personnel *(Note 7)*	356,250	45,646	401,896
Contractual	50,716	---	50,716
Travel	32,614	---	32,614
Insurance	27,124	---	27,124
Supplies and equipment rental	25,685	---	25,685
Trust fund and investment fees	14,699	---	14,699
Depreciation expense	---	7,724	7,724
Utilities	7,650	---	7,650
Communication	4,693	---	4,693
Miscellaneous	2,324	---	2,324
Advertising	2,080	---	2,080
Stipend	1,450	---	1,450
Capital outlay	21,672	(21,672)	---
	546,957	31,698	578,655
Total expenditures/expenses	1,109,657	(31,698)	1,141,355
Unrealized gain on investments	58,000	---	58,000
Deficiency of revenues over expenditures and unrealized gain on investments	(304,423)	304,423	---
Decrease in net position		(336,121)	(336,121)
Fund balance/net position:			
Beginning of year	2,369,084	---	12,637,995
End of year	$ 2,064,661	$ ---	$ 12,301,874

See accompanying notes.

Notes to Financial Statements

Year ended September 30, 2018

1. Organization

The Guam Preservation Trust (the Trust) 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) as a public, non-profit corporation.

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.

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 (the 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 Liheslaturan 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.

2. Summary of Significant Accounting Policies

The Trust's basic financial statements consist of government-wide statements, including a statement of net position 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 U.S. generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing Governmental Accounting and Financial Reporting Principles.

2. Summary of Significant Accounting Policies, continued

Government-wide Financial Statements

The statement of net position presents the non-fiduciary financial condition of the Trust's assets after liabilities are deducted and consists of (1) assets invested in capital assets net of accumulated depreciation, (2) restricted assets reduced by liabilities and deferred inflows of resources related to those assets and (3) unrestricted assets.

Assets are reported as restricted when constraints are imposed by third parties or enabling legislation.

Measurement Focus/Government-wide and Fund Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus.

The governmental fund financial statements of the Trust are accounted for using a flow of current financial resources measurement focus. The statement of governmental fund 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.

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.

Fund Financial Statements

The Trust uses one governmental fund to report on its financial position and results of operations. The operations of this fund are accounted for with a self-balancing set of accounts that comprises its assets, liabilities, fund equity, revenues and expenditures.

Separate financial statements are provided for Governmental funds. The Trust presents a balance sheet and a statement of revenues, expenditures and changes in fund balance for its government fund. The ending fund balance on the balance sheet is then reconciled to the ending governmental net position.

2. Summary of Significant Accounting Policies, continued

Fund Financial Statements, continued

Adjustments required to reconcile total governmental fund balance to net position of governmental activities in the statement of net position as of September 30, 2018 is as follows:

Fund balance – governmental funds	$ 2,064,661
Add – capital assets	10,282,859
Less – compensated absences payable	(45,646)
Net position of governmental activities	$12,301,874

Adjustments required to reconcile net change in total governmental fund balance to change in net position of governmental activities in the statement of activities for the year ended September 30, 2018 is as follows:

Net change in fund balances – governmental funds	$(304,423)
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 as depreciation expense. This is the amount by which the capital outlays exceeded depreciation	13,948
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. This amount consists of the change in the compensated absence balance	(45,646)
Change in net position of governmental activities	$(336,121)

Cash and Cash Equivalents

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

Investments

Investments 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 and are primarily determined based on quoted market values.

Budget

An annual appropriated budget has not been formally adopted on a legal basis or a basis consistent with GAAP. Accordingly, a budget to actual presentation is not required or presented.

2. Summary of Significant Accounting Policies, continued

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. Donated capital assets are recorded at estimated fair market value at the date of donation. Capital assets are depreciated over a period of 3 to 25 years using the straight-line method.

Impairment of Capital Assets

In accordance with GASB Statement No. 42 *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* the Trust evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred.

A capital asset generally should be considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstances is outside the normal life cycle of the capital asset. Impaired capital assets that will no longer be used are reported at the lower of carrying value or fair value.

Revenue Recognition

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

Revenues of the Trust are comprised of building permit fees and interest earned on cash and investment 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.

Public Law 33-66 amended Article 6, Chapter 76, Title 21 of the Guam Code Annotated, to allow for 50% of all building permit fees to be deposited in the Trust's fund. This became effective starting fiscal year ending September 30, 2016.

Income Taxes

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

2. Summary of Significant Accounting Policies, continued

Compensated Absences

GASB 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 - Assigned

Assigned fund balances for governmental funds represent the amount available for funding historical preservation projects as determined by the Board of Directors of the Trust.

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.

2. Summary of Significant Accounting Policies, continued

Recently Adopted Accounting Pronouncements

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for periods beginning after June 15, 2017. This Statement replaces the requirement of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. The implementation of this statement did not have a material effect on the accompanying financial statements.

In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The Statement is intended to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of this statement did not have a material effect on the accompanying financial statements.

In March 2016, GASB issued Statement No. 82, *Pension Issues an amendment of GASB Statements No. 67, No. 68 and No. 73*. The Statement addresses issues regarding (1) presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of this statement did not have a material effect on the accompanying financial statements.

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. This Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The implementation of this statement did not have a material effect on the accompanying financial statements.

In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of this statement did not have a material effect on the accompanying financial statements.

2. Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations.* This Statement addresses accounting and financial reporting for certain asset retirement obligations. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance of this statement. GASB Statement No. 83 will be effective for the Authority for fiscal year ending September 30, 2019.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. GASB Statement No. 84 will be effective for fiscal year ending September 30, 2020.

In June 2017, GASB issued Statement No. 87, *Leases.* The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. GASB Statement No. 87 will be effective for fiscal year ending September 30, 2021.

In April 2018, GASB issued Statement no. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. GASB Statement No. 89 will be effective for fiscal year ending September 30, 2019.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. GASB Statement No. 89 will be effective for fiscal year ending September 30, 2021.

2. Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

In March 2018, GASB issued Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. GASB Statement No. 90 will be effective for fiscal year ending September 30, 2020.

The Trust is currently evaluating the effects the above upcoming accounting pronouncements might have on its financial statements.

3. 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.

Custodial Credit Risk

Custodial credit risk for cash and cash equivalents and investments is the risk that in the event of the failure of the counterparty to the transaction, the Trust's deposits and investments may not be returned to it. The Trust does not have a deposit and/or investment policy for custodial credit risk. As of September 30, 2018, cash and cash equivalents and investments were held by depositories and amounted to $1,978,597 of which $1,715,651 were insured and $262,946 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, 2018.

3. Cash and Cash Equivalents and Investments, continued

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, a majority of the Trust's investments have maturities of one year or less. This reduces the impact of interest rate movements seen with longer maturity investments.

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, 2018:

Type	Amount	% of Portfolio
Time certificates of deposits (TCDs)	$ 449,939	37%
Equity securities	372,847	31%
Exchange Traded Funds (ETFs)	220,822	18%
Mutual Funds	169,277	14%
	$1,212,885	100%

Investments Measured at Fair Value

The Trust categories its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The following presents the Trust's assets carried at fair value by fair value hierarchy at September 30, 2018:

	Total	Level 1	Level 2	Level 3
Investments by fair value :				
Equity securities	$ 372,847	$ 372,847	$ ---	$ ---
ETFs	220,822	220,822	---	---
Mutual Funds	169,277	169,277	---	---
Total investments by fair value level	762,946	762,946	---	---
Investment measured at a cost based measure:				
TCD	449,939			
	$ 1,212,885			

3. Cash and Cash Equivalents and Investments, continued

At September 30, 2018, the Trust had the following investment maturities:

Investment type	Total	Less than 1 Year	1 - 5 Years	6 - 10 Years	More than 10 Years
TCDs	$ 449,939	$ 449,939	$ ---	$ ---	$ ---
Equity securities	372,847	372,847	---	---	---
ETFs	220,822	220,822	---	---	---
Mutual Funds	169,277	169,277	---	---	---
	$ 1,212,885	$ 1,212,885	$ ---	$ ---	$ ---

4. Due from Government of Guam Building Permit Fund

The Trust records amounts due from the Government of Guam Building Permit Fund for accumulated building permit fees and re-inspection 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. The Trust recorded an allowance for uncollectible receivables totaling $1,535,014 as of September 30, 2018.

5. Property and Equipment

The following is a summary of the changes in capital assets for the year ended September 30, 2018:

	Beginning Balance October 1, 2017	Additions	Transfers and Deletions	Ending Balance September 30, 2018
Capital assets depreciated:				
Furniture, fixtures, and equipment	$ 94,418	$21,672	$ ---	$ 116,090
Less accumulated depreciation	(49,255)	(7,724)	---	(56,979)
Net capital assets depreciated	$ 45,163	$13,948	$ ---	$ 59,111
Capital assets not depreciated:				
Construction-in-progress	$ 52,189	$ ---	$ ---	$ 52,189
Land	10,171,559	---	---	10,171,559
	$10,223,748	$ ---	$ ---	$10,223,748

In February 2014, the Trust received donated land with a fair market value of approximately $9.9 million at the date of donation. The donor placed restrictions over the use of the land. Accordingly, the Trust recorded the land as a component of restricted net position.

5. Property and Equipment, continued

In January 2016, the Trust purchased a historical home which will be rehabilitated. The cost of the home is $52,189.

In June 2018, the Trust received donated property with a value assessed at $21,672.

6. Commitments and Contingencies

In December 2010, the Trust entered into a memorandum of agreement with the Guam Department of Parks and Recreation and the State Historic Preservation office regarding the obligations and rights with respect to the occupancy and the maintenance of the Jose P. Lujan House ("Lujan House"). In exchange of using the Lujan House for office space at no cost, the Trust is to pay for certain costs, including utilities and insurance for the building. The term of the agreement will be for 25 years with a 5 year option to renew at the end of the term.

The Trust has commitments to pay $843,051 to fund grants approved as of September 30, 2018. 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.

7. Employees' 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 year ended September 30, 2018, the retirement contribution amounted to $5,849 which is included as a component of personnel services in the accompanying Statement of Government Fund Revenues, Expenditures and Changes in Fund Balance/Statement of Activities.

8. Subsequent Events

The Trust has evaluated subsequent events through March 28, 2019. It is also the date that the financial statements were available to be issued.

9. Long-Term Liability

A summary of changes in long-term liability during fiscal year 2018 is as follows:

	Outstanding October 1, 2017	Increase	Decrease	Outstanding September 30, 2018	Current	Noncurrent
Compensated Absenses	$ ---	$ 53,396	$ 7,750	$ 45,646	$ 7,706	$ 37,940

Supplementary Information

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

Governmental Funds
Balance Sheet/Statement of Net Position
September 30, 2018
(With comparative totals as of September 30, 2017)

	General Fund 2018	General Fund 2017	Statement of Net Position 2018	Statement of Net Position 2017
Assets:				
Cash and cash equivalents	$ 765,712	$ 330,233	$ 765,712	$ 330,233
Investments	1,212,885	2,124,789	1,212,885	2,124,789
Due from Government of Guam Building Permit Fund, net	122,889	---	122,889	---
Depreciable capital assets, net	---	---	59,111	45,163
Nondepreciable capital assets	---	---	10,223,748	10,223,748
Total assets	$ 2,101,486	$ 2,455,022	12,384,345	12,723,933
Liabilities and Net Position:				
Accrued expenses	$ 28,825	$ 63,574	28,825	63,574
Deferred revenues	---	14,364	---	14,364
Grant deposit	8,000	8,000	8,000	8,000
Long-term liability:				
Due in one year	---	---	7,706	---
Due after one year	---	---	37,940	---
Total liabilities	36,825	85,938	82,471	85,938
Fund balances - assigned	2,064,661	2,369,084	---	---
Total fund balances	2,064,661	2,369,084	---	---
Total liabilities and fund balances	$ 2,101,486	$ 2,455,022		
Net position:				
Invested in capital assets			374,159	360,211
Unrestricted			2,019,015	2,369,084
Restricted			9,908,700	9,908,700
Total net position			$ 12,301,874	$ 12,637,995

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

Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balance /Statement of Activities
Year ended September 30, 2018
(With comparative totals for the year ended September 30, 2017)

	General Fund 2018	General Fund 2017	Statement of Activities 2018	Statement of Activities 2017
Revenues:				
Building permit fees	$ 611,435	$ 676,182	$ 611,435	$ 676,182
Grants and other support	109,600	70,344	109,600	70,344
Interest income	26,199	22,923	26,199	22,923
Total revenues	747,234	769,449	747,234	769,449
Expenditures:				
Program services - projects/grants	562,700	1,335,296	562,700	1,335,296
Supporting services:				
Personnel	356,250	298,454	401,896	298,454
Contractual	50,716	51,653	50,716	51,653
Travel	32,614	29,026	32,614	29,026
Insurance	27,124	27,778	27,124	27,778
Supplies and equipment rental	25,685	14,147	25,685	14,147
Trust fund and investment fees	14,699	15,106	14,699	15,106
Depreciation expense	---	---	7,724	10,304
Utilities	7,650	6,021	7,650	6,021
Communication	4,693	4,431	4,693	4,431
Miscellaneous	2,324	13,403	2,324	13,403
Advertising	2,080	3,548	2,080	3,548
Stipend	1,450	2,300	1,450	2,300
Capital outlay	21,672	---	---	---
	546,957	465,867	578,655	476,171
Total expenditures/expenses	1,109,657	1,801,163	1,141,355	1,811,467
Unrealized gain on investments	58,000	62,312	58,000	62,312
Deficiency of revenues over expenditures and unrealized gain on investments	(304,423)	(969,402)	-	-
Decrease in net position			(336,121)	(979,706)
Fund balance/net position:				
Beginning of year	2,369,084	3,338,486	12,637,995	13,617,701
End of year	$ 2,064,661	$ 2,369,084	$ 12,301,874	$ 12,637,995

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

Schedule of Grant Projects Reserved for Encumbrances

Description	Grant no.	Date approved	Grant amount		Year-to-date expenditures FYE 09/30/17	Expenditures year-ended 09/30/18	Outstanding encumbrance 09/30/18	
Taleyfak Bridge Signage	HS10-01 (A)	04/17/13	$ 10,000		$ 215	$ -	$ 9,785	
Pagat, Haputo, Hilaan Documentary	GPTG12-06	07/24/12	5,000		4,500	-	500	*
The Ritidian Story: An Illustrated History of Ancient Life & Landscape at Ritidian	GPTG13-11	06/19/13	5,000		3,750	1,250	-	
Amot Hunters	GPTG14-02	11/13/13	5,000		3,750	-	1,250	*
FQ Sanchez Facility A&E	HS15-01	12/18/14	208,054		207,554	-	500	
Architecture Book for Guam	BP15-07	02/23/15	49,500		28,875	12,375	8,250	
Guam Congress/Legislature	HS15-03	05/18/15	2,759,278		2,758,379	-	899	
Change Order No. 1		07/12/16	24,101		-	-	24,101	
Manuel Guerrero Bldg Demolition DPW	BP15-12	06/04/15	700,000	**	345,086	-	354,914	*
PL33-120 approp to Humatak Bridge	BP17-03	08/22/16	300,000	**	262,000	-	38,000	*
Historic Inarajan 4 Homes-Const Admin	HS13-01	06/22/15	128,960		34,083	-	94,877	
Teaching with Historic Places	BP15-16	08/13/15	14,400		2,850	1,465	10,085	
Malesso Bell Tower Magellan Monument	BP15-14	08/20/15	101,413		98,624	-	2,789	*
Latte Quarrying Project	BP16-02	10/22/15	6,200		2,592	-	3,608	
Doris Lujan House	HS16-02	07/11/16	410,392		36,860	362,532	11,000	*
Change Order No. 1		09/15/17	14,532		-	14,532	-	
Pacific Preservation Project	BP17-01	03/14/16	126,473		70,345	56,128	-	
Guam & National History Day 2017	BP17-06	02/13/17	25,000		23,431	1,504	65	*
5 Year Strategic Plan	BP17-08	07/11/16	2,500		1,979	475	46	*
Capital Campaign - GPT	BP17-10	07/10/17	20,000		-	266	19,734	
Phase 2 - Pilot Study of Ancient DNA in Skeletal Samples from Naton Beach	GPTG17-01	02/24/17	4,336		3,252	1,084	-	
Developing Capacity in Maritime Archaeology	GPTG17-02	02/27/17	20,250		15,200	-	5,050	
A Day at the Museum	GPTG17-03	08/01/17	15,000		11,250	3,750	-	
Antonia Chargualaf House - Construction	HS17-01	08/18/17	350,000		-	-	350,000	
Amendment 1		09/29/17	43,350		-	-	43,350	
Rosario & San Nicolas House A&E	HS18-01	01/31/18	179,706		-	-	179,706	
Guam/National History Day	GPTG18-01	04/05/18	24,000		-	24,000	-	
Takhelo na Tiningo gi Fino Yan Kutturan Chamoru	GPTG18-02	04/13/18	55,606		-	-	55,606	
Kosas Camp	GPTG18-03	04/30/18	10,500		-	10,500	-	
Congressional Art Competition	GPTG10-04	05/01/18	1,000		-	990	10	*
National Trust Historic Preservation Conference	BP18-01	09/29/17	12,333		-	12,333	-	
Humatak Revitalization Plan	BP18-02	11/08/17	50,000		-	12,500	37,500	
GPT Strategic Plan	BP18-03	12/06/17	10,000		-	7,250	2,750	*
Chamorro Language Competition	BP18-04	12/06/17	500		-	500	-	
Pacific Preservation Project - GPT (BP17-01)	BP18-05	01/31/18	10,000		-	55	9,945	*
Pacific Heritage Youth Summit (PHYS)	BP18-06	07/10/17	20,000		-	7,411	12,589	*
PHYS (funded by a US Department of Interior grant)		08/21/17	30,800		-	30,800	-	
PHYS (funded by a Guam Women's Club grant)		04/27/18	1,000		-	1,000	-	
			$ 5,754,184		$ 3,914,575	$ 562,700	$ 1,276,909	
* Represents Grants/Projects that have been completed. Any unsed portion will be reverted back to the Trust.							(433,858)	
						Total outstanding encumbrances as of FY2018	**$ 843,051**	

**PL33-120 Reappropriated $300,000 of the $1,000,000 project to repair the Humatic Bridge..

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Guam Preservation Trust – FY 2018 Financial Highlights

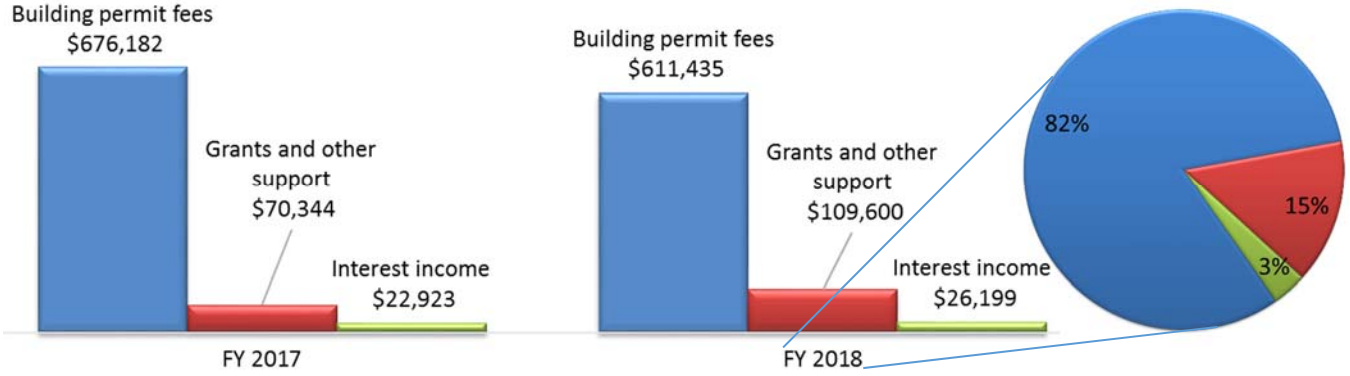
Continued Decline in Government Subsidy and Program Services

March 29, 2019

Hagåtña, Guam – The Office of Public Accountability (OPA) has released the Guam Preservation Trust's (GPT) financial statements, report on compliance and internal control, management letter, and the auditor's communication with those charged with governance for fiscal year (FY) 2018. Independent auditors, Ernst & Young LLP (EY), rendered an unmodified (clean) opinion on GPT's financial statements, for which no material weaknesses and no significant deficiencies were identified. GPT closed FY 2018 with a decrease in net position (net loss) of $336 thousand (K). Though still a net loss, it is less than FY 2017's net loss of $980K. For FY 2018, OPA recognized[1] GPT for achieving a status similar to "low-risk."

Continued Decline in Government Subsidy and Pull from GPT Investments

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



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

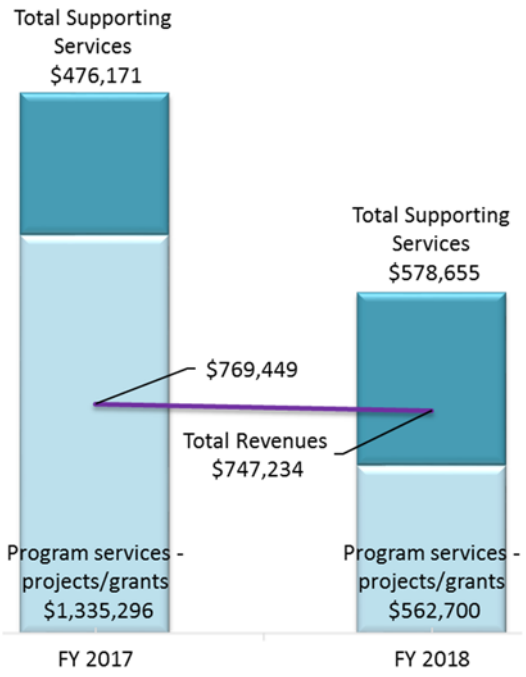
[1] OPA recognizes those entities not subject to a Single Audit that achieved a similar "low-risk" status. OPA's criteria for such recognition requires that for three consecutive periods (FY 2016, FY 2017, and FY 2018), the entity issued its financial audit within six months of the fiscal year and received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

Doc. No. 35GL-19-0381.*

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

Continued Decline in Program Services

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



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

Management Letter

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


San Nicolas House, Inarajan

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

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


Rosario House, Hagatna

Management Letter

Guam Preservation Trust

For the year ended September 30, 2018



Building a better working world

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Fax: +1 671 649 3920
ey.com

March 28, 2019

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, 2018, 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 our opinion on the financial statements, but not 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 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or 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.

During our audit, we noted the following matters that should be brought to your attention:

Procurement Authority

It is our understanding that the Attorney General of Guam provided an opinion stating that the Trust must adopt the provisions of Chapter 5 of Title 5 of the G.C.A., and must conduct all of its procurements in accordance with Guam procurement laws and regulations.

We recommend the Trust review its procurement policy to ensure it is in compliance with the provisions noted above. Additionally, the Trust should follow-up with its request to obtain, in writing, Department of Public Works' approval for the Trust to engage in its own process to request for proposals (RFPs) for construction projects.

The Board of Directors
Guam Preservation Trust

March 28, 2019

File Maintenance

We encourage the Trust to improve its file maintenance of documents. Specifically, we suggest separate procurement folders be maintained to enhance ease of locating documents related to the procurement process.

****

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 Public Accountability and is not intended to be and should not be used by anyone other than these specified parties.

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

Ernst & Young LLP

The Auditor's Communication With Those Charged With Governance

Guam Preservation Trust

Year ended September 30, 2018



Building a better working world

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March 28, 2019

The Board of Directors
Guam Preservation Trust

We have performed an audit of the financial statements of Guam Preservation Trust, a component unit of the Government of Guam, as of and for the year ended September 30, 2018, 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 March 28, 2019.

This report summarizes our communications with those charged with governance as required by our professional standards to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process.

REQUIRED COMMUNICATIONS

Professional standards require the auditor to provide the Board of Directors (the Board or those charged with governance) with additional information regarding the scope and results of the audit that may assist the Board (or those charged with governance) in overseeing the financial reporting and disclosure processes which the management of the Trust is responsible. We summarize these required communications as follows:

Auditors' Responsibilities under Auditing Standards Generally Accepted in the United States (US GAAS) and Generally Accepted Government Auditing Standards (GAGAS)

The financial statements are the responsibility of the Trust's management as prepared with the oversight of those charged with governance. Our audit was designed 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, 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.

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 will 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.

Our responsibilities are included in our audit engagement letter.

The Adoption of, or a Change in Significant Accounting Policies

We determined that the Board 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 the accounting principle, has a material effect on the financial statements.

Effective October 1, 2017, the Trust implemented:

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*
- GASB Statement No. 81, *Irrevocable Split-Interest Agreements*
- GASB Statement No. 82, *Pension Issues*
- GASB Statement No. 85, *Omnibus 2017*
- GASB Statement No. 86, *Certain Debt Extinguishment Issues*

Auditors' Judgement about the Quality of the Trust's Accounting Principles

We discussed our judgment 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 policy and their application and the clarity and completeness of the financial statements and related disclosures.

Sensitive Accounting 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.

We determined that the Board 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 that are used to administer and monitor the Trust's operations. These budgets include determining how existing financial resources will be used in the Trust's operations.
- Determining the valuation of investments held.
- Evaluating whether there are indications that the carrying value of the Trust's long-lived assets is impaired.
- Determining the reasonableness of economic useful lives assigned to depreciable assets.
- Determining the adequacy of the allowance for doubtful accounts.

Uncorrected misstatements, related to accounts and disclosures, considered by management to be immaterial

We did not identify any uncorrected misstatements, related to accounts and disclosures, during our audit.

Material corrected misstatements, related to accounts and disclosures

As a result of our audit procedures, material misstatements were brought to the attention of management and were corrected during the current period (see Appendix B – *Summary of Corrected Misstatements*).

Other Information in Documents Containing the Audited Financial Statements

We reviewed the Management's Discussion and Analysis and Supplementary Information to the financial statements to ensure consistency with the audited financial statements.

Consultations with Other Accountants

We are not aware of any consultations that management may have had with other accountants regarding any significant auditing and accounting matters during the fiscal year ended September 30, 2018.

Disagreements with Management on Financial Accounting and Reporting Matters

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

Major Issues Discussed with Management Prior to Retention

There were no major accounting 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 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, 2017 to March 28, 2019 (See Appendix A – *Management Representation Letter*).

Control Related Matters

We have communicated to management, in a separate letter also dated March 28, 2019, certain deficiencies and other matters that we identified during the audit.

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

****

This report is intended solely for the information and use of the Trust's board of directors, management and the Office of Public Accountability of Guam, 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.

Very truly yours,

Ernst + Young LLP

Appendices

A – Management Representation Letter

B – Summary of Corrected Misstatements

Appendix A – Management Representation Letter

GUAM PRESERVATION TRUST
INANGOKKON INADAHI GUAHAN
P.O. Box 3036 • Agana, Guam 96932
Tel: (671) 472-9439/40 • Fax: (671) 477-2047

March 28, 2019

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

In connection with your audit of the basic financial statements of the Guam Preservation Trust (the Trust) as of September 30, 2018 and for year 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 the Trust, and the respective changes in financial position and cash flows 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

We have fulfilled our responsibilities, as set forth in the terms of the audit engagement agreement dated December 2, 2016, for the preparation and fair presentation of the financial statements (including disclosures) in conformity with US generally accepted accounting principles (US GAAP) applied on a basis consistent with that of the preceding years.

We acknowledge our responsibility for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. We have provided you with:

- Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements such as records, data, documentation and other matters
- Additional information that you have requested from us for the purpose of the audit
- Unrestricted access to persons within the Trust from whom you determined it necessary to obtain evidence

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 (GASB). Management accepts responsibility for the fund financial statements that appear in the Trust's

1

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.

Recipients of governmental financial assistance and/or audits performed in accordance with Government Auditing Standards

We recognize that we are responsible for the Trust's compliance with the laws, regulations, provisions of contracts and grant agreements that are applicable to it. We have identified and disclosed to your representatives, all laws, regulations, provisions of contracts and grant agreements that have direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.

We have identified to your representatives all previous audits, attestation engagements, and other studies related to the audit objectives and whether the related recommendations have been implemented.

There has been no noncompliance or possible noncompliance with provisions of contracts or grant agreements 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 instances of abuse that have occurred or are likely to have occurred that could be quantitatively or qualitatively material to the financial statements.

Uncorrected Misstatements

There are no uncorrected misstatements (including the effects of correcting or reversing prior year uncorrected misstatements), or uncorrected misstatements in disclosures relating to the current year financial statements.

Internal Control

There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.

We are not aware of any significant deficiencies or material weaknesses in the design or operation of internal control over financial reporting. There have been no significant changes in internal control since September 30, 2018.

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Minutes and Contracts

The dates of meeting of directors and committees of directors from October 1, 2017 to date of this letter are as follows:

- December 6, 2017
- January 31, 2018
- March 9, 2018
- April 13, 2018
- July 31, 2018
- August 21, 2018
- October 5, 2018
- October 31, 2018
- January 11, 2019
- January 29, 2019
- February 22, 2019

We have made available to you all minutes of the meetings of 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, including amendments, 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, including all covenants, conditions or other requirements of all outstanding debt.

Significant assumptions

Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and supportable.

Ownership and pledging of assets

Except for assets capitalized under capital leases, the Company has satisfactory title to all assets appearing in the statement of net position. 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 Company has satisfactory title appear in the statement of net position.

Receivables and revenues

Receivables represent valid claims against the debtors indicated and do not include amounts for goods shipped or services provided subsequent to the statement of net position date, goods shipped on consignment, or other types of arrangements not constituting sales. Receivables have been determined in accordance with all relevant GASB Statements, including GASB Statements No. 33 and 62 – as amended.

Adequate provision has been made for losses, costs and expenses that may be incurred subsequent to the statement of net position date in respect of any sales and services rendered prior to that date and for uncollectible accounts, discounts, returns and allowances, etc., that may be incurred in the collection of receivables at that date.

We have disclosed to you all sales terms (both expressed and implied), including all rights of return or price adjustments and warranty provisions. We have made available to you all significant contracts, communications (either written or oral), and other relevant information pertaining to arrangements with our customers, including distributors and resellers.

Fair value measurements

We are responsible for the estimation methods and assumptions used in measuring assets and liabilities reported or disclosed at fair value, including information obtained from brokers, pricing services or other third parties. Our valuation techniques have been consistently applied from period to period. The fair value measurements reported or disclosed represent our best estimate of fair value as of the measurement date in accordance with the requirements of GASB Statement No. 72 – as amended. In addition, our disclosures related to fair value measurements are consistent with the objectives outlined in GASB Statement No. 72 – as amended.

Long-lived assets to be held and used, including amortizable intangible assets

No events or changes in circumstances have occurred that indicate the carrying amounts of long-lived assets to be held and used, including intangible assets that are subject to amortization, may not be recoverable.

Related party relationships and transactions

We have made available to you the names of all related parties and all relationships and transactions with related parties.

The substance of transactions with related parties as defined in GASB Statement No. 56—as amended, has been considered and appropriate adjustments or disclosures are made in the basic financial statements, and information concerning these transactions and amounts have been made available to you.

Side agreements and other arrangements

There have been no side agreements or other arrangements (either written or oral) that have not been disclosed to you.

Arrangements with financial institutions

Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements have been properly recorded or disclosed in the financial statements.

Events of default under debt agreements

The Trust does not have any debt agreements.

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 GASB Statement No. 62 – as amended.

Appendix A – Management Representation Letter, contintued

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 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.

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 GASB Statement No. 62—as amended, nor are there any accruals for loss contingencies included in the statements of net position or gain contingencies reflected in earnings that are not in conformity with the provisions of GASB Statement No. 62—as amended.

Oral or written guarantees

There are no oral or written, including guarantees of the debt of others.

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.

Purchase commitments

At September 30, 2018 the Trust had no purchase commitments for inventories in excess of normal requirements or at prices that were in excess of market at that date.

There were no agreements or commitments to repurchase assets previously sold. There were no material commitments outstanding at September 30, 2018 as a result of being a party to futures or forwards contracts, short sales or hedge transactions.

Required supplementary information

We acknowledge our responsibility for the required supplementary information on the management's discussion and analysis, which have been measured and presented in conformity with the guidelines established by the Governmental Accounting Standards Board in its GASB Statement No. 34.

There have been no changes in the methods of measurement or presentation of the required supplementary information from those used in the prior period.

There are no significant assumptions or interpretations underlying the measurement or presentation of the information.

Supplementary information

We are responsible for the preparation and fair presentation of the Governmental Funds

Balance Sheet/Statement of Net Position; Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balance/Statement of Activities; and the Schedule of Grant Projects Reserved for Encumbrances (the "supplementary information"). We believe the supplementary information, including the form and content, is fairly stated in all material respects in relation to the basic financial statements as a whole.

There have been no changes in the methods or measurement or presentation of the supplementary information from those used in the prior period.

There are no significant assumptions or interpretations underlying the measurement or presentation of the information.

Effects of new accounting principles

As discussed in Note 1 to the financial statements, we have not completed the process of evaluating the effects that will result from adopting the amendments to the following codification provided in Governmental Accounting Standards Board (GASB):

- GASB Statement No. 83
- GASB Statement No. 84
- GASB Statement No. 87
- GASB Statement No. 88
- GASB Statement No. 89
- GASB Statement No. 90

The Trust is therefore unable to disclose the effects that adopting the amendments in the aforementioned GASB Statements will have on its financial position and the changes in its financial position when such statements are adopted.

Fraud

We acknowledge our responsibility for the design and implementation and maintenance of programs and internal control 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 the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud. 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

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 firm of the global Ernst & Young organization.

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

Appendix A – Management Representation Letter, contintued

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.

Other Representations

- We have identified and disclosed to you, all laws, regulations and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
- We have followed applicable laws and regulations in adopting, approving and amending budgets, deposits and investments, including collateral requirements on depository accounts and investments.
- The financial statements properly classify all funds and activities in accordance with GASB Statement No. 54 – as amended.
- Components of net position (invested in capital assets, net of related debt; restricted; and unrestricted) and fund balance reserves and designations are properly classified and, if applicable, approved.
- Provisions for uncollectible receivables have been properly identified and recorded.
- Special and extraordinary items are appropriately classified and reported.
- Risk disclosures associated with deposits and investment securities are presented in accordance with GASB requirements.
- Investments are properly valued.
- Capital assets are properly capitalized, reported and, if applicable, depreciated.
- The Trust's ability to continue as a going concern was evaluated.
- The supplementary information (management's discussion and analysis and other financial information) have been prepared in conformity with accounting principles generally accepted in the United States as required by the Governmental Accounting Standards Board, and are consistent with the accounting principles used to prepare basis financial statements. There have been no changes in the methods of measurement or presentation of the supplementary information from those used in the prior period. There are no significant assumptions or interpretations underlying the measurement or presentation of the information.

Appendix A – Management Representation Letter, contintued

Subsequent Events

Subsequent to September 30, 2018, no events or transactions have occurred or are pending that would have a material effect on the basic 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 basic financial statements in order to make them not misleading regarding the financial position, changes in financial position, and 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 the financial statement amounts.

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We understand that your audit was conducted in accordance with auditing standards generally accepted in the United States as promulgated by the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and was, 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,

Eric Forbes
Board Secretary

Joseph Quinata
Chief Program Officer

Appendix B – Summary of Corrected Misstatements

Communication schedule for corrected misstatements

Entity: Guam Preservation Trust | Period ended: 30-Sep-2018 | Currency: USD

Corrected misstatements			Analysis of misstatements Debit/(Credit)							
No.	W/P ref.	Account	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Income statement effect of the current period	
		(misstatements are recorded as journal entries with a description)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non taxable
AJE01	VD0120	To correct the accounting expense balance at the end of the year.								
		Supporting services: Contractual							2,864	
		Accrued expenses			(2,864)					
AJE02	N0100	To reverse a portion of the deferred revenue that was earned during FY2018.								
		Deferred Revenue			818					
		Revenue: Grants and other support-restricted							(818)	
AJE03	E0110	To reconcile the building permit receivable balance and revenues to the amount confirmed by DOA.								
		Due from GovGuam	(23,840)							
		Revenues: Building permit fees							23,840	
		Due from GovGuam: Allowance for Doubtful Accou	146,729							
		Revenues: Building permit fees Bad Debts							(146,729)	
AJE04	K0110	To record the depreciation on property addition not taken up by the Trust.								
		Supporting Services: Depreciation expense							290	
		Depreciable capital assets, net: Accumulated depreciation		(290)						
RJE01	K0110	To reclassify the George Flores house as a nondepreciable asset								
		Nondepreciable capital assets		52,186						
		Depreciable capital assets, net		(52,186)						
RJE02	H0110	To reclassify amounts invested in cash deposits Merrill Lynch investment accounts as cash and cash equivalents for financial statement presentation								
		Cash and cash equivalents	27,206							
		Investments	(27,206)							

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Appendix B – Summary of Corrected Misstatements, continued

Communication schedule for corrected misstatements

Entity: Guam Preservation Trust | Period ended: 30-Sep-2018 | Currency: USD

Corrected misstatements			Analysis of misstatements Debit/(Credit)							
No.	W/P ref.	Account	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Income statement effect of the current period	
		(misstatements are recorded as journal entries with a description)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non taxable
RJE03	H0110	To reclassify amounts invested in cash deposits Raymond James investment accounts as cash and cash equivalents for financial statement presentation								
		Cash and cash equivalents	4,328							
		Investments	(4,328)							
RJE04	H0110	To reclassify amounts invested in cash deposits TradePMR investment accounts as cash and cash equivalents for financial statement presentation								
		Cash and cash equivalents	661,828							
		Investments	(661,828)							
RJE05	E0100	To repropose PY RJE01 (which was to reconcile the balance receivable balance based on the FY16 DOA confirmation reply).								
		Due from GovGuam: Allowance for Doubtful Accou	262,452							
		Due from GovGuam	(262,452)							
Total of corrected misstatements before income tax			122,889	(290)	(2,046)	0	0	0	(120,553)	
Financial statement amounts			12,384,345	0	(82,471)	0	(12,301,874)		(336,121)	
Effect of corrected misstatements on F/S amounts			1.0%	0.0%	2.5%	0.0%	0.0%		35.9%	

Concurrence:

The above adjustments have been discussed with us and we agree to record them.

Joseph Quinata, Chief Program Officer

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