

Financial Statements and
Other Financial Information

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

*Years ended December 31, 2008 and 2007
with Report of Independent Auditors*

Ernst & Young

 **ERNST & YOUNG**

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

Financial Statements and
Other Financial Information

Years ended September 30, 2008 and 2007

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Ernst & Young LLP
231 Ypao Road
Suite 201, Ernst & Young Building
Tamuning, Guam 96913

Tel: +1-671-649-3700
Fax: +1-671-649-3920
www.ey.com

Report of Independent Auditors

The Board of Directors
Guam Preservation Trust

We have audited the accompanying governmental funds balance sheet/statements of net assets of the Guam Preservation Trust (the Trust), a component unit of the Government of Guam, as of September 30, 2008 and 2007, and the related statements of government fund revenues, expenditures and changes in fund balance/activities for the years then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such financial statements referred to above present fairly, in all material respects, the financial position of the Guam Preservation Trust as of September 30, 2008 and 2007, and the results of its operations for the years then ended, in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2009, on our consideration of the Guam Preservation Trust's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 to 12 is not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and we express no opinion on it.

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

Ernst + Young LLP

March 17, 2009

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

Management's Discussion and Analysis

Year ended September 30, 2008

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

Introduction

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

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

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

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Management's Discussion and Analysis, continued

Introduction, continued

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

The Guam Preservation Trust is a 5013c 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 Wednesdays of the month at 3:30pm. In Fiscal Year 2008, a total of 10 meetings were conducted and 43 resolutions were made. Attendance of Board Members representing four of the five disciplines constitutes a quorum.

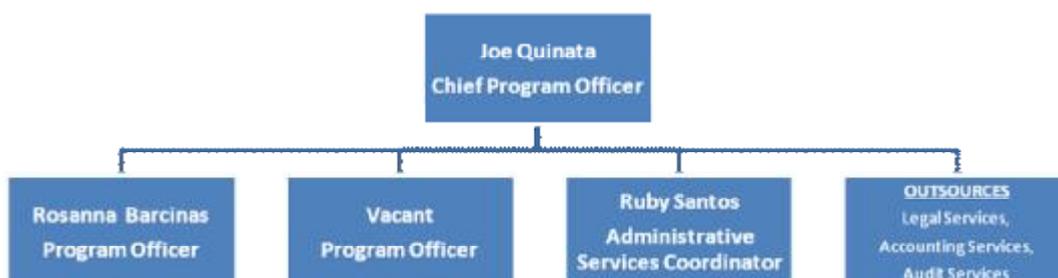
The Guam Preservation Trust Board Members by discipline are:

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

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

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Management's Discussion and Analysis, continued



The Guam Preservation Trust Vision

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

The Guam Preservation Trust Mission

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

Guam Preservation Trust Master Plan

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

Community Partnerships

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

The Guam Preservation Trust Board of Directors appropriated a total of over \$300,000 to fund all programs and projects. Most importantly are the community's contributions as partners to accomplish the objectives of the programs and projects. An estimated total of over \$400,000 of in-kind and cash contribution from partner organizations and individuals have been dedicated towards the *proposed outcomes* for this year.

Guam Preservation Trust
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Management's Discussion and Analysis, continued

Regional and National Support

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

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

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

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

Proposed Outcomes

<u>Project Name</u>	<u>Date Approved</u>	<u>Amount Approved</u>	<u>Amount Balance</u>
Guam History Day BP-0802	01/09/07	\$ 93,000	\$ ---
A U.S. Territory in Japan South Sea Part I (GPT G-0802)	06/30/08	4,341	4,341
I Man Ma'gas Siha Posters (GPTG-0705)	07/11/07	24,400	---
Guampedia Phase II (GPTG- 0703)	08/10/07	100,500	---
A U.S. Territory in Japan South Sea Part II (GPTG-0805)	09/10/08	9,060	9,060
Guampedia Video & Material (GPTG-0806)	09/10/08	22,500	22,500
A U.S. Territory in Japan South Sea Part III (GPT G-0807)	09/10/08	7,940	7,940
Camp Roxas Film Project	09/10/08	<u>5,590</u>	<u>5,590</u>
Total		<u>\$267,331</u>	<u>\$49,431</u>

Guam Preservation Trust
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Management's Discussion and Analysis, continued

**Standard of Success 2
Repair, Rehabilitation, Restoration or Renovation of Historic Buildings and Structures**

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

Proposed Outcomes

<u>Project Name</u>	<u>Date Approved</u>	<u>Amount Approved</u>	<u>Amount Balance</u>
Fort Nuestra de la Soledad, Umatac (BP0601)	10/01/06 GVB/GEDCA	\$ 8,000 8,000	\$ 2,050 8,000
Meno House, Inarajan (GPTG-0704)	04/11/07	47,072	14,000
St. Joseph Church, Inarajan (HS07-01)	01/11/07	18,075	---
Stonework Heritage Conference (BP-0801)	11/21/07	2,750	---
Merlyn G. Cook School (HS08-01C)	08/07/08	<u>93,670</u>	<u>93,670</u>
Total		<u>\$177,567</u>	<u>\$117,720</u>

**Standard of Success 3
Archaeological Research**

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

Proposed Outcomes

<u>Project Name</u>	<u>Date Approved</u>	<u>Amount Approved</u>	<u>Amount Balance</u>
Archaeology Program Year I Archaeological Survey:	04/11/07	\$127,622	\$ 79,705
Vincent Perez property	04/04/08	2,000	2,000
Archaeology Program Year II (BP-0701)	06/10/08	140,240	140,240
Historic Structures Report Training (BP-0804)	09/10/08	<u>25,000</u>	<u>25,000</u>
Total		<u>\$294,862</u>	<u>\$246,945</u>

Guam Preservation Trust
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Management's Discussion and Analysis, continued

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

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

Proposed Outcomes

<u>Project Name</u>	<u>Date Approved</u>	<u>Amount Approved</u>	<u>Amount Balance</u>
Constantly Chamorro (GPTG-043)	06/1998	\$ 45,000	\$ 1,620
New Harmonies (GPTG-0702)	01/17/07	5,000	---
Website Development Project (BP-0602)	04/12/07	7,000	---
Guam Cultural Heritage Program (GPTG-0706)	07/11/07	30,000	15,525
Sakman (GPTG-0804)	07/16/08	5,000	266
HPO Master Plan Printing (BP-0805)	10/09/07	1,885	---
Sakman Canoe House (GPTG-0811)	09/10/08	27,120	27,120
Historic Landmark Signs (GPTG-0810)	09/11/08	11,790	11,790
Guam Micronesian Island Fair (BP-0803)	09/17/08	<u>5,000</u>	<u>5,000</u>
Total		<u>\$137,795</u>	<u>\$61,321</u>

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

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

Proposed Outcomes

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

Guam Preservation Trust
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Management's Discussion and Analysis, continued

**Standard of Success 6
Archival Research**

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

Proposed Outcomes

<u>Project Name</u>	<u>Date Approved</u>	<u>Amount Approved</u>	<u>Amount Balance</u>
Inventory and Cataloging Project (GPTG-0701)	01/17/07	\$69,400	\$34,075
Spanish Period Glass and Ceramic Cataloging (GPTG-0801)	01/10/08	10,588	10,588
Inventory and Cataloging Project Amend (GPTG-0807)	09/10/08	<u>36,573</u>	<u>36,573</u>
Total		<u>\$116,561</u>	<u>\$81,236</u>

**Standard of Success 7
Architectural History**

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

Proposed Outcomes

<u>Project Name</u>	<u>Date Approved</u>	<u>Amount Approved</u>	<u>Amount Balance</u>
Taleyfak Bridge, Agat A/E Design (HS-0702)	07/11/07	\$180,000	\$19,014
Lujan House, Hagåtña A/E Design (HS-0703)	01/11/07	112,352	---
Guam Legislature Building Structural Assmt. (HS-0802)	06/04/08	<u>40,500</u>	<u>16,200</u>
Total		<u>\$332,852</u>	<u>\$35,214</u>

Guam Preservation Trust
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Management's Discussion and Analysis, continued

Financial Analysis

Our analysis is based on the following condensed financial data for the years ended September 30, 2006, 2007, and 2008. The nature of these statements is explained on the next page.

	<u>2008</u>	<u>2007</u>	<u>2006</u>	2008% increase (decrease) <u>from 2007</u>
<u>Statement of Net Assets</u>				
Cash	\$1,361,238	\$1,405,255	\$1,848,829	(3.1)%
Investments	712,335	708,577	---	0.5 %
Receivables:				
Building permit fund	6,239,099	6,106,219	5,811,096	2.2 %
Allowance for doubtful accounts	(5,426,711)	(5,345,996)	(5,345,996)	1.5 %
Other assets	<u>5,557</u>	<u>16,362</u>	<u>4,612</u>	(66.0)%
 Total assets	 <u>\$2,891,518</u>	 <u>\$2,890,417</u>	 <u>\$2,318,541</u>	 0.04 %
 Liability-accrued expenses	 40,830	 \$ 42,817	 \$ 42,029	 (4.6)%
Deposits payable – grants	<u>8,000</u>	<u>8,000</u>	<u>---</u>	---
	<u>48,830</u>	<u>50,817</u>	<u>42,029</u>	(3.9)%
 Net assets:				
Invested in capital assets	4,657	6,608	3,762	(29.5)%
Reserve for encumbrances	583,867	601,325	119,715	(2.9)%
Unrestricted	<u>2,254,164</u>	<u>2,231,667</u>	<u>2,153,035</u>	1.0 %
 Total net assets	 <u>\$2,842,688</u>	 <u>\$2,839,600</u>	 <u>\$2,276,512</u>	 0.1 %

Guam Preservation Trust
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Management's Discussion and Analysis, continued

	Year ended September <u>30, 2008</u>	Year ended September <u>30, 2007</u>	Year ended September <u>30, 2006</u>	2008 % increase (decrease) <u>from 2007</u>
<u>Statement of Activities</u>				
Building permit fees	\$ 981,766	\$1,060,221	\$ 926,122	(7.4)%
Interest income	<u>68,530</u>	<u>75,875</u>	<u>65,303</u>	(9.7)%
Total revenues	1,050,296	1,136,096	991,425	(7.6)%
Expenditures	1,032,907	563,347	536,156	83.4 %
Gain (loss) on sale of investments	70,942	(9,879)	---	(818.1)%
Unrealized (loss) gain on investments	<u>(85,243)</u>	<u>218</u>	<u>---</u>	(39202.3)%
Excess of revenues over expenditures	3,088	563,088	455,269	(99.5)%
Net assets at beginning of year	<u>2,839,600</u>	<u>2,276,512</u>	<u>1,821,243</u>	24.7 %
Net assets at end of year	<u>\$2,842,688</u>	<u>\$2,839,600</u>	<u>\$2,276,512</u>	.11 %

The Guam Preservation Trust receives most of its revenues from the Building Permit Fees administered by the Guam Department of Public Works. A compilation is conducted every quarter by our accounting services provider. For Fiscal Year 2008, a total of \$981,766 was received from building permit fees, a 7.4% decrease from the 2007 total of \$1,060,221.

The Trust Board of Directors recognizing the need to invest its funds, have taken steps into investment services on Guam. This is evident with the increase in interest income between 2006 and 2008. In Fiscal Year 2008, \$68,530 was earned on interest income. Most of the earnings were from investments that were made in April through September, 2008, a 9.7% decrease from Fiscal Year 2007 earnings of \$75,875.

An investment policy is drafted and will be reviewed for adoption by the Guam Preservation Trust Board Members. The investment policy will address the administration of investments to safeguard the Trust's funds. An interim policy has been placed to invest with "capital preservation" as its guiding policy.

Guam Preservation Trust
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Management's Discussion and Analysis, continued

The implementation of Guam Preservation Trust projects and programs are dependent mostly from the collection of building permit fees at the Guam Department of Public Works. Findings from our accounting services provider regarding collection methods have prompted our office to take steps to resolve issues of collection. Although the Treasury Office conducts the collection through their system, a Transmittal Letter Form, created by DPW, lacks a transmittal control number to account for building permits issued to consumers for payment to the Treasury Office. Department of Public Works agreed to a corrective action and included the Permit Certificate Number as the control number on the Transmittal Form for payment. Permit Certificates are not issued unless the transmittal has been stamped by the Treasury Office. In addition, the Treasury's Office has recently implemented a new procedure to document all information from DPW's transmittal letter as transactions are processed for payment which includes the name of customer and the permit number. This action will ensure the completeness of building permit fee transaction and that an accountability compilation report can be obtained in the future. As a proactive measure, the Department of Administration will provide a monthly report of revenues to reconcile with our compilation conducted by our accounting services provider.

Receivables from the General Fund of \$6,239,099 as compiled by our accounting services provider, with \$5,426,711 identified as an allowance for doubtful accounts, concerned the Trust Board and prompted a discovery meeting with the Department of Administration, the Bureau of Budget and Management Research, Department of Public Works and the Speaker of the Legislature, to reconcile and report its findings. Preliminary findings indicated that in FY 2000, Public Law authorized the release of \$7.4 million dollars from special revenue funds to pay for salary increments of government employees. A total of \$4.7 million dollars was released from the Trust's Special Revenue Fund. This action conflicted with the Trust's mandate that Trust funds "shall not be used for operations of any government departments or line agencies." It is with uncertainty that payments will be received in the near future.

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

Guam Preservation Trust
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Governmental Funds Balance Sheet/Statements of Net Assets

September 30, 2008 and 2007

	Building Permit Fund (326)	Adjustments	2008 Statement of Net Assets	2007 Statement of Net Assets
Assets:				
Cash and cash equivalents <i>(Note 2)</i>	\$ 1,361,238	\$ ---	\$ 1,361,238	\$ 1,405,255
Investments <i>(Note 2)</i>	712,335	---	712,335	708,577
Due from Government of Guam				
Building Permit fund, net <i>(Note 3)</i>	812,388	---	812,388	760,223
Interest receivable	---	---	---	8,904
Prepaid expenses	900	---	900	850
Property and equipment, at cost, net <i>(Note 4)</i>	---	4,657	4,657	6,608
	<u>---</u>	<u>4,657</u>	<u>4,657</u>	<u>6,608</u>
Total assets	\$ <u>2,886,861</u>	\$ <u>4,657</u>	\$ <u>2,891,518</u>	\$ <u>2,890,417</u>
Liabilities:				
Accrued expenses	\$ 40,830	\$ ---	\$ 40,830	\$ 42,817
Grant deposit	8,000	---	8,000	8,000
	<u>8,000</u>	<u>---</u>	<u>8,000</u>	<u>8,000</u>
Total liabilities	<u>48,830</u>	<u>---</u>	<u>48,830</u>	<u>50,817</u>
Commitments and contingencies <i>(Note 5)</i>				
Fund Balances/Net Assets:				
Fund balances:				
Reserve for encumbrances	583,867	(583,867)	---	---
Building permit fund	2,254,164	(2,254,164)	---	---
	<u>2,254,164</u>	<u>(2,254,164)</u>	<u>---</u>	<u>---</u>
Total fund balances	<u>2,838,031</u>	<u>(2,838,031)</u>	<u>---</u>	<u>---</u>
Total liabilities and fund balances	\$ <u>2,886,861</u>			
Net Assets:				
Invested in capital assets		4,657	4,657	6,608
Reserve for encumbrances		583,867	583,867	601,325
Unrestricted		2,254,164	2,254,164	2,231,667
		<u>2,842,688</u>	<u>2,842,688</u>	<u>2,839,600</u>

See accompanying notes.

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

Years ended September 30, 2008 and 2007

	Building Permit Fund (326)	Adjustments	2008 Statement of Activities	2007 Statement of Activities
Revenue:				
Building permit fees	\$ 981,766	\$ ---	\$ 981,766	\$ 1,060,221
Interest income	<u>68,530</u>	<u>---</u>	<u>68,530</u>	<u>75,875</u>
Total revenue	<u>1,050,296</u>	<u>---</u>	<u>1,050,296</u>	<u>1,136,096</u>
Expenditures:				
Program services - projects/grants	<u>585,902</u>	<u>---</u>	<u>585,902</u>	<u>199,903</u>
Supporting services:				
Personnel (Note 6)	245,409	---	245,409	232,942
Bad debt expense	80,715	---	80,715	---
Contractual	44,204	---	44,204	45,020
Travel	37,812	---	37,812	43,301
Rent (Note 5)	10,350	---	10,350	10,200
Supplies and equipment rental	10,253	---	10,253	8,871
Trust fund and investment fees	4,561	---	4,561	7,652
Advertising	2,873	---	2,873	3,859
Communication	3,943	---	3,943	3,683
Stipend	2,350	---	2,350	3,100
Depreciation expense	---	2,877	2,877	2,794
Miscellaneous	1,658	---	1,658	2,022
Capital outlays	926	(926)	---	---
	<u>445,054</u>	<u>1,951</u>	<u>447,005</u>	<u>363,444</u>
Total expenditures	1,030,956	1,951	1,032,907	563,347
Gain (loss) on sale of investments	70,942	---	70,942	(9,879)
Unrealized (loss) gain on investments	(85,243)	---	(85,243)	218
Excess of expenditures and loss on investments over revenues	5,039	(1,951)	---	---
Change in net assets			3,088	563,088
Increase in reserve for encumbrances	(583,867)	---	---	---
Fund balance/net assets:				
Beginning of year	<u>2,832,992</u>	<u>---</u>	<u>2,839,600</u>	<u>2,276,512</u>
End of year	<u>\$ 2,254,164</u>	<u>\$ ---</u>	<u>\$ 2,842,688</u>	<u>\$ 2,839,600</u>

See accompanying notes.

Guam Preservation Trust
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Reconciliation of the Governmental Funds Balance Sheet
to the Statements of Net Assets

	September 30,	
	<u>2008</u>	<u>2007</u>
Fund balance - Building Permit Fund	\$2,838,031	\$2,832,992
Amounts reported for governmental activities in the Balance Sheet differ from the amounts reported in the Statement of Net Assets because:		
Capital assets used in the governmental activities are not financial resources and, therefore, are not reported in the funds	<u>4,657</u>	<u>6,608</u>
Net assets of governmental activities	<u>\$2,842,688</u>	<u>\$2,839,600</u>

See accompanying notes.

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

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

	Years ended September 30,	
	2008	2007
Net change in fund balances - governmental funds	\$ 5,039	\$ 560,242
<p>Amounts reported for governmental activities in the Statement of Government Fund Revenues, Expenditures and Changes in Fund Balance differ from the amounts reported in the Statement of Activities because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives and depreciation expense. This is the amount by which the depreciation exceeded capital outlays</p>	(<u>1,951</u>)	<u>2,846</u>
Change in net assets of governmental activities	\$ <u>3,088</u>	\$ <u>563,088</u>

See accompanying notes.

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

Notes to Financial Statements

Years ended September 30, 2008 and 2007

1. Organization and Summary of Accounting Policies

Organization

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

The Trust was created for the following purposes:

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

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

Basis of Presentation

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

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

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

Notes to Financial Statements, continued

1. Organization and Summary of Accounting Policies, continued

Government-wide Financial Statements

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

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

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

Fund Financial Statements

During 2008 and 2007, the Trust accounted for its financial activities in a single governmental fund. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. Governmental funds are those through which most governmental functions are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. The difference between governmental fund assets and liabilities is reported as fund balance. The Trust's only governmental fund is the building permit fund.

Measurement Focus/Government-wide and Fund Financial Statements

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

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

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

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

Notes to Financial Statements, continued

1. Organization and Summary of Accounting Policies, continued

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

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

Cash and Cash Equivalents

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

Investments

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

Capital Assets

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

Encumbrances

Encumbrances are reported as a reservation of fund balance on the balance sheet. Encumbrances do not lapse at the close of the fiscal year but are carried forward as reserved fund balance until liquidated. Encumbrances represent grants which will be honored in subsequent years.

Revenue Recognition

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

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

Notes to Financial Statements, continued

1. Organization and Summary of Accounting Policies, continued

Income Taxes

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

Compensated Absences

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

The Trust compensates its employees for annual leave as follows:

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

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

Fund Balances

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

Use of Estimates

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

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

Notes to Financial Statements, continued

1. Organization and Summary of Accounting Policies, continued

New Accounting Standards

In May 2007, GASB issued Statement No. 50, *Pension Disclosures, an amendment of GASB Statements No. 25 and 27*. This Statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits, and in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information by pension plans and by employers that provide pension benefits. The provisions of this Statement are effective for periods beginning after June 15, 2007. The implementation of this Statement did not have a material impact on the accompanying financial statements.

Reclassifications

Certain reclassifications have been made to the 2007 financial statements for comparative purposes. Such reclassifications have no effect on previously reported increase in net assets.

2. Cash and Cash Equivalents and Investments

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

Cash and cash equivalents and investments as of September 30, 2008 and 2007 are classified in the statements of net assets as follows:

	<u>2008</u>	<u>2007</u>
Cash and cash equivalents	\$ <u>1,361,238</u>	\$ <u>1,405,255</u>
Investments	\$ <u>712,335</u>	\$ <u>708,577</u>

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

Custodial Credit Risk

Custodial credit risk for cash and cash equivalents is the risk that in the event of a bank failure, the Trust's deposits may not be returned to it. The Trust does not have a deposit policy for custodial credit risk. As of September 30, 2008 and 2007, cash and cash equivalents were held by depositories and amounted to \$1,361,238 and \$1,405,255, respectively, of which \$428,820 and \$153,395, respectively, were insured and \$932,418 and \$1,251,860, respectively, were uninsured and uncollateralized. Based on negotiated trust and custody contracts, all of the investments were held in the Trust's name by the Trust's custodial financial institution at September 30, 2008 and 2007.

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

Notes to Financial Statements, continued

2. Cash and Cash Equivalents and Investments, continued

Custodial Credit Risk, continued

As of September 30, 2008 and 2007, the Trust also had \$401,962 and \$1,251,860, respectively, deposited in an interest bearing money market account which can be liquidated within 24 hours notice to the bank. The account is backed by short term U.S. treasury securities but is not insured by the Federal Deposit Insurance Corporation.

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

Interest Rate Risk

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

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, 2008 and 2007:

<u>Type</u>	<u>2008</u>		<u>2007</u>	
	<u>Amount</u>	<u>% of Portfolio</u>	<u>Amount</u>	<u>% of Portfolio</u>
Certificates of Deposit	\$525,645	74%	\$589,177	83%
Stocks	<u>186,690</u>	<u>26%</u>	<u>119,400</u>	<u>17%</u>
	<u>\$712,335</u>	<u>100%</u>	<u>\$708,577</u>	<u>100%</u>

As of September 30, 2008 and 2007, the Trust had no formal investment policy adopted.

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

Notes to Financial Statements, continued

3. Due from Government of Guam Building Permit Fund

The due from Government of Guam Building Permit Fund balance represents accumulated building permit fees and reinspection fees collected and deposited with the Treasurer of Guam by the Government of Guam's Department of Public Works but not yet transferred to the Trust. Management of the Trust is of the opinion that such balances are due and payable to the Trust. However, issues relating to this outstanding balance exist at September 30, 2008 and 2007. Accordingly, the Trust has recorded an allowance for uncollectible receivables of \$5,426,711 and \$5,345,996 as of September 30, 2008 and 2007, respectively.

4. Property and Equipment

The following is a summary of the changes in capital assets for the years ended September 30, 2008 and 2007:

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

	Beginning Balance October 1, <u>2006</u>	<u>Additions</u>	Transfers and <u>Deletions</u>	Ending Balance September 30, <u>2007</u>
Furniture, fixtures, and equipment	\$ 7,182	\$ 5,642	\$ ---	\$ 12,824
Less accumulated depreciation	(<u>3,420</u>)	(<u>2,796</u>)	---	(<u>6,216</u>)
Investment in capital assets	\$ <u>3,762</u>	\$ <u>2,846</u>	\$ ---	\$ <u>6,608</u>

5. Commitments and Contingencies

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

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

Notes to Financial Statements, continued

5. Commitments and Contingencies, continued

The Trust issued a letter of termination dated December 10, 1998. Rental payments have not been remitted since September 1999 and total approximately \$85,000 and \$75,000, as of September 30, 2008 and 2007, respectively. The lessor has not taken efforts to collect.

The Trust, as a component unit of the Government of Guam, is covered under the Government of Guam Claims Act. This act prohibits the lessor from pursuing collection of outstanding rents beyond the past 18 month period. Accordingly, the Trust believes its maximum obligation as of September 30, 2008 will not exceed approximately \$14,000. Because the lessor has not pursued collection, the Trust has not recorded any accrued liability.

Future rental payments as of September 30, 2008, are as follows:

Year ending September 30,

2009	\$ 9,576
2010	9,576
2011	9,576
2012	9,576
2013	10,536
Thereafter	<u>274,613</u>
	<u>\$323,453</u>

The Trust has a lease agreement that is renewed annually to rent office space for its operations. Rent expense incurred for the years ended September 30, 2008 and 2007 totaled \$10,350 and \$10,200, respectively.

The Trust has commitments to pay \$583,867 to fund grants approved as of September 30, 2008. The Trust will release the funds to the grantees only upon satisfactory performance by the grantees of requirements called for in their respective grant agreement. Subsequent to September 30, 2008, the Trust paid \$262,192 in grants that were reserved for encumbrances.

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

Guam Preservation Trust
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Notes to Financial Statements, continued

6. Employee's Retirement Plan

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

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

For the years ended September 30, 2008 and 2007, the retirement contribution amounted to \$5,521 and \$5,133, which is included as a component of personnel services in the accompanying Statements of Government Fund Revenues, Expenditures and Changes in Fund Balance/Statements of Activities.

Other Financial Information

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

September 30, 2008

Schedule of Grant Projects Reserved for Encumbrances

Description	Grant no.	Date approved	Grant amount	Outstanding encumbrance 09/30/07	Expenditures year-ended 09/30/08	Outstanding encumbrance 09/30/08
Baltazar Aguon - Constantly Chamorro	GPTG-043	06/09/98	\$ 45,000	\$ 1,620	\$ -	\$ 1,620
Guam Museum - Inventory of Collections	GPTG07-01	03/26/07	69,400	43,572	9,497	34,075
Guam Humanities Council - New Harmonies	GPTG07-02	02/08/07	5,000	800	800	-
Guam Humanities Council - Guampedia Phase II	GPTG-0703	05/29/07	39,500	4,304	4,304	-
Guampedia Phase II - Amendment I		09/05/07	61,000	61,000	57,594	- *
Inalahan Historic Foundation - Meno House	GPTG-0704	05/15/07	33,072	33,072	33,072	-
Meno House - Amendment I		02/13/08	14,000	-	-	14,000
Ed Benavente - I Man Ma'gas Siha	GPTG-0705	09/04/07	24,400	24,400	24,400	-
Ann Card - Cultural Heritage Program	GPTG-0706	09/26/07	30,000	30,000	14,475	15,525
Lon Bulgrin - Rosario House Ceramic and Glass Catalog	GPTG-0801	03/10/08	10,588	-	-	10,588
Vincent Perez - Archaeological Services	GPTG-0802	04/14/08	2,000	-	-	2,000
Wakako Higuchi - Archival Research Part I: Japanese Navy Administration of Guam	GPTG-0803	06/30/08	4,341	-	-	4,341
Traditions About Seafaring Islands (TASI) - Sakman	GPTG-0804	07/16/08	5,000	-	4,734	266
Wakako Higuchi - Archival Research Part II: Japanese Navy Administration of Guam	GPTG-0805	09/10/08	9,060	-	-	9,060
Shannon Murphy - Guampedia Phase III	GPTG-0806	09/10/08	22,500	-	-	22,500
Guam Museum - Amendment I	GPTG-0807	09/10/08	36,573	-	-	36,573
Wakako Higuchi - Archival Research Part III: Japanese Navy Administration of Guam	GPTG-0808	09/10/08	7,940	-	-	7,940
Sub-total carried forward			419,374	198,768	148,876	158,488

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

September 30, 2008

Schedule of Grant Projects Reserved for Encumbrances, continued

Description	Grant no.	Date approved	Grant amount	Outstanding encumbrance 09/30/07	Expenditures year-ended 09/30/08	Outstanding encumbrance 09/30/08
Sub-total carried forward			419,374	198,768	148,876	158,488
Camp Roxas Film - Bernie Shuman	GPTG-0809	09/10/08	5,590	-	-	5,590
Department of Parks and Recreation - Historic Landmark Signs	GPTG-0810	09/10/08	11,790	-	-	11,790
Traditions About Seafaring Islands (TASI) - Guma Sakman	GPTG-0811	09/10/08	27,120	-	-	27,120
Fort Nuestra dela Soledad, Umatac	BP06-01	10/01/06	8,000	-	-	2,050
Website Development Project	BP06-02	04/12/07	7,000	-	4,600	- *
UOG Archaeological Program	BP07-01	06/07/07	127,622	110,205	30,500	79,705
UOG Archeology Program - Year 2 Amendment		06/13/08	140,240	-	-	140,240
Stonework Heritage Conference	BP-0801	11/21/07	2,750	-	2,750	-
Guam/National History Day	BP-0802	01/09/08	93,000	-	81,578	- *
Guam Micronesian Island Fair	BP-0803	09/17/08	5,000	-	-	5,000
Historic Structures Report Training Program - UOG MARC						
Archaeological Program - Year 2 Supplement	BP-0804	09/10/08	25,000	-	-	25,000
St. Joseph's Church	HS-0701	07/11/07	18,075	-	18,075	-
Winzler & Kelly (A/E) - Talefac Bridge	HS-0702	09/05/07	180,000	180,000	160,986	19,014
Setiadi Architects (A/E) - Lujan House	HS-0703	09/04/07	112,352	112,352	112,352	-
MG Cook School - JRN Refrigeration	HS-0801	08/07/08	93,670	-	-	93,670
Guam Legislature - Structural Assessment	HS-0802	06/04/08	40,500	-	24,300	16,200
Preservation Plan - Historic Preservation Office	---	07/10/07	1,885	-	1,885	-
			<u>\$ 1,318,968</u>	<u>\$ 601,325</u>	<u>\$ 585,902</u>	<u>\$ 583,867</u>

* Represents grant projects that have been completed. Any unused portion will be reverted back to the Trust.