

February 10, 2010

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

Dear Members of the Board:

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

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

REQUIRED COMMUNICATIONS

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

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

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

Auditor's Responsibilities US GAAS, continued

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

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

The Adoption of, or a Change in Significant Accounting Policies

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

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

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

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

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

Sensitive Accounting Estimates

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

Sensitive Accounting Estimates, continued

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

Management's judgment is called upon in:

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

Significant Audit Adjustments

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

Unadjusted Audit Difference Considered by Management to be Immaterial

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

Other Information in Documents Containing the Audited Financial Statements

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

Consultation with Other Accountants

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

Disagreements with Management on Financial Accounting and Reporting Matters

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

Major Issues Discussed with Management Prior to Retention

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

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

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

Serious Difficulties Encountered in Dealing with Management in Performing the Audit

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

Fraud and Illegal Acts

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

Significant Deficiencies and Material Weaknesses in Internal Control

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

Independence

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

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

The Board of Directors
Guam Preservation Trust

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

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

Very truly yours,

Ernst + Young LLP

Appendix

APPENDIX A – Adjusting and Reclassifying Journal Entries

APPENDIX B – Summary of Unrecorded Audit Differences

APPENDIX C – Management Representation Letter

The Board of Directors
Guam Preservation Trust

APPENDIX A – Adjusting and Reclassifying Journal Entries

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

Number	Date	Name	Account No	Reference	Amount	Net Income (Loss)	Amount Chg	Recurrence
Net Income (Loss) Before Adjustments						172,487.00		
AJE 1	9/30/2009	Allowance for doubtful account	1205		(161,431.00)			
AJE 1	9/30/2009	Retained Earnings	3050		161,431.00			
To correct PY AJE 1 entered by Deloitte regarding bad debt expense.						0.00	172,487.00	0.00
AJE 2	9/30/2009	Cash-checking #0601-012085	1010	C0110	(5,000.00)			
AJE 2	9/30/2009	Archaeological/Museum	6851.13	C0110	5,000.00			
To properly record grant expense for account 6851.13 Archaeological/Museum						0.00	167,487.00	(5,000.00)
AJE 3	9/30/2009	Due from General Fund	1201	E0110	21,963.00			
AJE 3	9/30/2009	Building Permit Fee	4101	E0110	(21,963.00)			
To record the difference in revenues, as per DOA's confirmation.						0.00	189,450.00	21,963.00
AJE 4	9/30/2009	Accrued Expense	2200	N0130	(911.00)			
AJE 4	9/30/2009	Accounting Services	6601	N0130	911.00			
To properly accrue FY2009 expenses.						0.00	188,539.00	(911.00)
						0.00	188,539.00	16,052.00

The Board of Directors
Guam Preservation Trust

APPENDIX A – Adjusting and Reclassifying Journal Entries, continued

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

Number	Date	Name	Account No	Reference	Annotation	Debit	Credit	Recurrence
RJE 1	9/30/2009	Investments - Ameritrade	1020	H0110			308,850.00	
RJE 1	9/30/2009	Cash & cash equivalents - Ameritrade	EY07	H0110		308,850.00		
		To properly classify account balances.						
RJE 2	9/30/2009	Investments - Merrill Lynch	1030	H0110			207,503.00	
RJE 2	9/30/2009	Cash & cash equivalents - Merrill Lynch	EY08	H0110		207,503.00		
		To properly classify account balances.						
RJE 3	9/30/2009	Investments - R. J. & Assoc	1060	H0110			631,599.00	
RJE 3	9/30/2009	Cash & cash equivalents - Southwest	EY09	H0110		631,599.00		
		To properly classify accounts balance.						
RJE 4	9/30/2009	Other Income	7030	H0110			77,782.00	
RJE 4	9/30/2009	Change in FV of investments	7050	H0110		77,782.00		
		To reclassify account balances.						
						1,225,734.00	1,225,734.00	

APPENDIX B – Summary of Unrecorded Audit Differences

Summary of Audit Differences

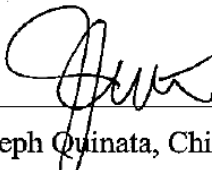
Printed Time: Fri Feb 11, 2010

Client: Guam Preservation Trust Audit Date: 9/30/2009 Currency: USD

All Identified Audit Differences Above Nominal Amount		Analysis of Audit Differences Debit/(Credit)									
No.	W/P Ref.	Account <i>(Audit differences are recorded as journal entries.)</i>	Assets Current	Assets Non-current	Liabilities (Current)	Liabilities (Non-current)	Income / Expenses			Other - Specify	
			Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit) Current Period	Non Taxable	Debit/(Credit) Prior Period	Non Taxable	Debit/(Credit)
Unrecorded Audit Differences:											
Unrecorded Errors:											
1		To record audit difference in payroll expense. Adjustment: 2100 Payroll Liabilities Adjustment: 6001 Salaries	1,042					-1,042		No No	
Balance Sheet Totals			1,042	0	0	0					0
Financial Statement Amounts			2,082,165	2,124	53,063	0					0
Effect of unrecorded audit differences on F/S amounts			0.03%	0.00%	0.00%	0.00%					0.00%
Income effect of unrecorded audit differences (before tax)							-1,042			0	
Memo: Non-taxable items (marked 'Yes' above)							0			0	
Less: Tax effect at current year marginal rate			0.80%				0			0	
Cumulative effect of unrecorded audit differences before turn-around effect							-0.55%	-1,042		0	
Turn-around effect of prior-period unrecorded audit differences (after tax)							0			0	
Cumulative effect of unrecorded audit differences, after turn-around effect							-0.55%	-1,042			
Current year net income							100.00%	188,538			

Concurrence:

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


Joseph Quinata, Chief Program Officer

2/10/10
Date

APPENDIX C – Management Representation Letter



GUAM PRESERVATION TRUST

INANGOKKON INADAHI GUÅHAN

P.O. BOX 3036 • Hagåtña, Guam 96932
Tel: (671) 472-9439/40 • Fax: (671) 477-2047
www.guampreservationtrust.com

February 10, 2010

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

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

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

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

Management's Responsibilities

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

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

The financial statements properly classify all funds and activities.

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

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

APPENDIX C – Management Representation Letter, continued

Unrecorded Audit Differences

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

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

Internal Control

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

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

Minutes and Contracts

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

Risks and Uncertainties

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

GUAM PRESERVATION TRUST

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APPENDIX C – Management Representation Letter, continued

Ownership and Pledging of Assets

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

Receivables

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

Financial Instruments

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

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

Pension Benefits

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

Contingent Liabilities

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

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

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

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APPENDIX C – Management Representation Letter, continued

Contingent Liabilities, continued

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

Fraud

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

Independence

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

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

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

Conflicts of Interest

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

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APPENDIX C – Management Representation Letter, continued

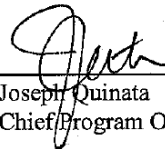
Subsequent Events

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

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

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

Very truly yours,



Joseph Quinata
Chief Program Officer

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