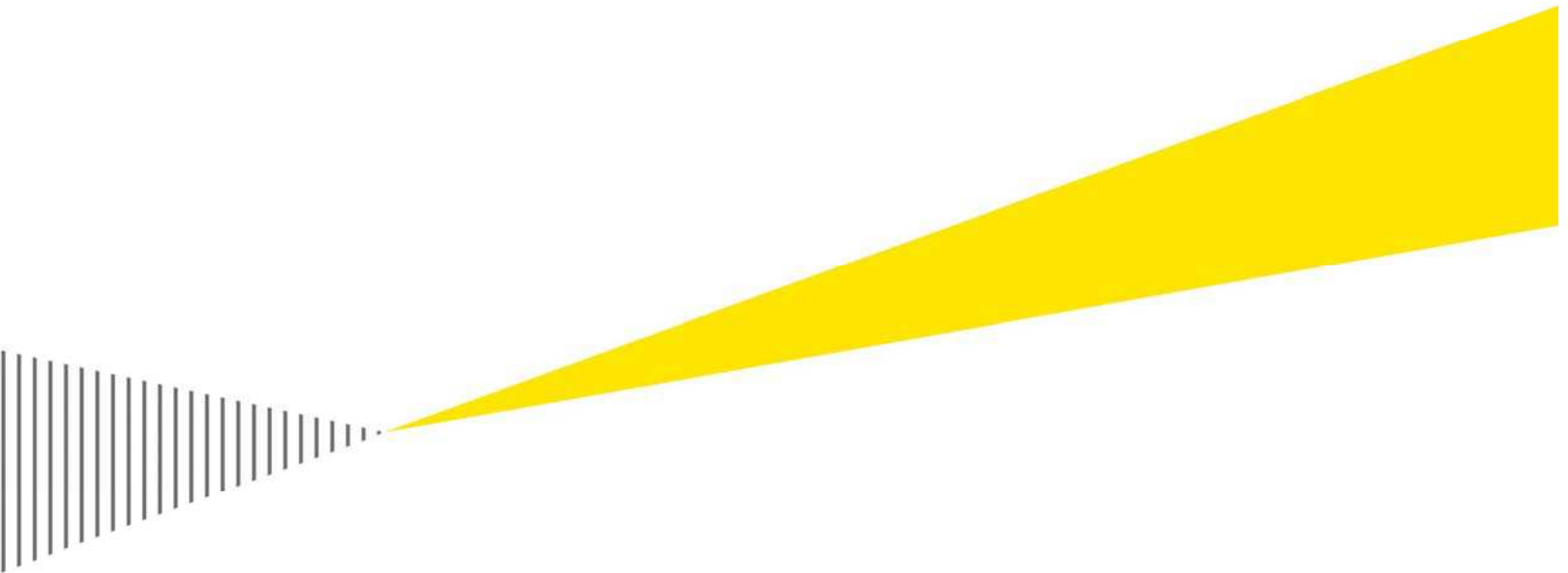


*The Auditor's Communication With Those Charged  
With Governance*

**Guam Preservation Trust**

*Year ended September 30, 2015*



Building a better  
working world

May 6, 2016

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, 2015, 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 May 6, 2016.

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**

### **Overview of the planned scope and timing of the audit**

Our audit scope and timing is consistent with the plan communicated in our engagement letter dated August 26, 2015 and at our audit planning meeting with management.

### **Auditor's responsibility under professional standards, including discussion of the type of auditor's report we are issuing and if there are any events or conditions that cause us to conclude that there is substantial doubt about the entity's ability to continue as a going concern**

The financial statements are the responsibility of 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, as established by the American Institute of Certified Public Accountants, to obtain reasonable assurance about whether the financial statements are free of material misstatement in relation to the financial statements as a whole.

An audit of financial statements includes 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 entity's internal control over financial reporting. Accordingly, we will express no such opinion.

An audit also includes the evaluation of the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as the evaluation of the overall presentation of the financial statements.

Our responsibilities are included in our audit engagement letter.

### **Sensitive Accounting Estimates**

A discussion of sensitive accounting estimates has been included in footnote 2 of the financial statements.

We determined that those charged with governance are informed about management's process for formulating particularly sensitive estimates and the basis for 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.

### **Our views about the qualitative aspects of the entity's significant accounting practices**

Management has not selected or changed any significant accounting policies or changed the application of those policies in the current year.

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

We are not aware of any significant unusual transactions recorded by the Trust.

A discussion of significant accounting policies has been included in footnote 1 of the financial statements.

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

Certain uncorrected misstatements 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 Uncorrected Misstatements*).

### **Material corrected misstatements, related to accounts and disclosures**

We did not identify any material corrected misstatements that need to be communicated.

**Fraud and illegal acts**

We are not aware of any matters that require communication.

**Independence matters**

We are not aware of any matters that in our professional judgment would impair our independence.

**Representations from management**

We have obtained from management a representations letter related to the audit and a copy of the management representations letter is included in Appendix A.

**Changes to the terms of the audit with no reasonable justification for the change**

We are not aware of any matters that require communication.

**Significant findings and issues arising during the audit relating to related parties**

We are not aware of any matters that require communication.

**Significant findings or issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management**

We are not aware of any matters that require communication. We have issued a separate management letter outlining certain control deficiencies and recommendations.

**Significant difficulties encountered during the audit**

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

**Disagreements with management**

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

**Management's consultations with other accountants**

We are not aware of any consultations made by management with other accountants or specialists.

**AICPA ethics ruling regarding third-party service providers**

Our responsibilities are included in our audit engagement letter.

**Other findings or issues regarding the oversight of the financial reporting process**

There are no other findings or issues arising from the audit that are, in our judgment, significant and relevant to those charged with governance regarding the oversight of the financial reporting process.

\*\*\*\*\*

This report is intended solely for the information and use of the Board of Directors and management. It is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Ernst + Young LLP*

Appendix A – Management Representation Letter



**GUAM PRESERVATION TRUST**

**INANGOKKON INADAHI GUAHAN**

P.O. Box 3036 • Agaña, Guam 96932  
Tel: (671) 472-9439/40 • Fax: (671) 477-2047

May 6, 2016

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, 2015 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 August 26, 2015, for the preparation and fair presentation of the financial statements 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 Company 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. Management accepts responsibility for the fund financial statements that appear in the Trust's financial



Appendix A – Management Representation Letter, continued

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.

***Governmental entities***

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

***Uncorrected Misstatements***

We believe that the effects of any uncorrected misstatements, 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 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 are not aware of any significant deficiencies or material weaknesses in the design of operation of internal control over financial reporting. There have been no significant changes in internal control since September 30, 2015.

***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, 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.

**GUAM PRESERVATION TRUST**

**INANGOKKON INADAHI GUA'HAN**

Appendix A – Management Representation Letter, continued

***Minutes and Contracts***

The dates of Board of Director meetings from October 1, 2014 to date of this letter are as follows:

- |                     |                    |                     |
|---------------------|--------------------|---------------------|
| • December 18, 2014 | • June 4, 2015     | • December 10, 2015 |
| • January 26, 2015  | • July 9, 2015     | • January 14, 2016  |
| • February 12, 2015 | • August 13, 2015  | • February 11, 2016 |
| • May 6, 2015       | • October 22, 2015 | • March 21, 2016    |

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***

There are no properties capitalized under capital leases. The Trust has satisfactory title to all assets appearing in the statements 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 Trust has satisfactory title appear in the statement of net position.

***Receivables***

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.

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

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Appendix A – Management Representation Letter, continued

significant contracts, communications (either written or oral), and other relevant information pertaining to arrangements with our customers, including distributors and resellers.

***Prepayments***

We believe that all material expenditures for which recognition has been deferred to future periods are recoverable.

***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 62.

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 generally accepted accounting principles other than those accrued or disclosed in the financial statements, 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 62.

***Oral or written guarantees***

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

***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.

***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.

***Required supplementary information***

We acknowledge our responsibility for the required supplementary information on the

**GUAM PRESERVATION TRUST**

**INANGOKKON INADAHI GUA'HAN**

Appendix A – Management Representation Letter, continued

management's discussion and analysis on pages 4 through 14, which have been measured and presented in conformity with the guidelines established by the Governmental Accounting Standards Board in its applicable GASB Statement. There have been no changes in the methods of measurement or presentation of the required supplementary information from those used in the prior period. We believe that the significant assumptions and interpretations used are reasonable.

***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 basis 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. 72
- GASB Statement No. 73
- GASB Statement No. 74
- GASB Statement No. 75
- GASB Statement No. 76
- GASB Statement No. 77
- GASB Statement No. 78
- GASB Statement No. 79
- GASB Statement No. 80
- GASB Statement No. 81
- GASB Statement No. 82

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.

**GUAM PRESERVATION TRUST**

**INANGOKKON INADAHI GUA'HAN**

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Appendix A – Management Representation Letter, continued

***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 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 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.

***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 identified and disclosed to you violations (and possible violations) of laws, regulations and provisions of contracts and grant agreements with effects that should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
- 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.
- 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.

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

Appendix A – Management Representation Letter, continued

- 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.

***Subsequent Events***

Subsequent to September 30, 2015, 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.

**GUAM PRESERVATION TRUST**

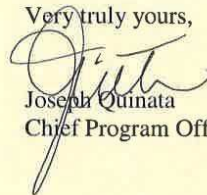
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Appendix A – Management Representation Letter, continued

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,



Joseph Quinata  
Chief Program Officer

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Appendix B – Summary of Uncorrected Misstatements

Communication schedule for uncorrected misstatements

Entity: Guam Preservation Trust Period Ended: 30-Sep-2015 Currency: USD

Uncorrected misstatements		Analysis of misstatements Debit/(Credit)					Income statement effect of the current period		Income statement effect of the prior period	
No.	W/P ref.	Account	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Debit/(Credit)	Non-taxable
		(misstatements are recorded as journal entries with a description )	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)
<b>Factual misstatements:</b>										
SAD 01	H-2	Difference between the bank confirmation reply and the amount recorded per books.								
		1060 - Investments	703							
		7010 - Interest income								(7,03)
SAD 02	R0100	To record the difference in the depreciation expense.								
		1/05 - Accumulated depreciation		606						(606)
		6510 - Depreciation expense								
SAD 03	W00120	To adjust the prepaid insurance and expense amounts.								
		6500 Insurance								1,778
		1500 Prepaid Expenses	(1,778)							
SAD 05	H0111	To adjust the investments to market value.								
		EY10 Investments	1,351							(1,351)
		7050 Change in FV of investments								
<b>Reclassification misstatements:</b>										
SAD 04	H0210	To reclassify the interest income that was offset against investment fees.								
		6581 Investment fees								4,728
		7020 Investment income								(4,728)
<b>Total of uncorrected misstatements before income tax</b>			1,482	0	0	0	0	0	0	(1,482)
<b>Total of uncorrected misstatements</b>			1,482	0	0	0	0	0	0	(1,482)
<b>Financial statement amounts</b>			16,323,714		(64,372)		(16,359,342)			722,089

19 February 2014

EY

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**Concurrence:**

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