

GUAM PRESERVATION TRUST

**INDEPENDENT AUDITORS' REPORT ON
COMPLIANCE AND INTERNAL CONTROL**

YEAR ENDED SEPTEMBER 30, 1998



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED UPON THE AUDIT PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Guam Preservation Trust:

We have audited the financial statements of the Guam Preservation Trust (the Trust), as of and for the year ended September 30, 1998, and have issued our report thereon dated December 31, 2000. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

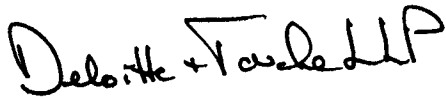
Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Guam Preservation Trust's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Trust's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs in finding number 98-01.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in

the internal control that might be reportable conditions, and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

This report is intended for the information of the Board of Directors and management of the Trust and is not intended to be, and should not be, used by anyone other than those specified parties.

A handwritten signature in black ink, appearing to read "Deloitte + Touche LLP", is written in a cursive, stylized script.

December 31, 2000

GUAM PRESERVATION TRUST

Schedule of Findings and Questioned Costs Year Ended September 30, 1998

Finding Number 98-01

Criteria:

Fees collected pursuant to Public Law 20-151 shall be deposited into the Guam Preservation Trust Fund. This fund shall be maintained separate and apart from all other funds.

Condition:

Revenues collected in the above manner during 1997 and 1998 amounting to \$3,810,000 have not been remitted by the Department of Administration to the Trust.

Cause:

The cause of this condition is unknown, but may be linked to the limited cash flows of the Government of Guam.

Effect:

The effect of this condition is that the Trust has recognized bad debt expense in the above amount.

Recommendation:

We concur with the action of the Trust. The amount in question has been reserved for, recognizing that the Trust may require some time to actually collect amounts due it. However, the amounts have been recognized as revenues of the Trust in accordance with applicable law. We recommend continued consultation with the Government of Guam concerning this matter. We also recommend that the Trust ensure that its attorneys research this matter and conclude with respect to the Trust's legal rights to these funds.