



Territorial Highway Fund (THF) FY 2011 Financial Highlights

April 16, 2012

The Territorial Highway Fund (THF) ended fiscal year (FY) 2011 with a \$157 thousand (K) increase in fund equity (or income) compared to a loss of \$826K in the prior year. Independent Auditors Deloitte and Touche, LLP issued an unqualified or clean opinion for THF's FY 2011 financial statements. The compliance report contained two findings pertaining to the Department of Revenue and Taxation's (DRT) inability to substantiate certain vehicle registrations and drivers license fees and the Department of Public Works' (DPW) charging of non-highway utility payments to the THF.

Revenues Decreased and Expenditures Increased

In FY 2011, overall THF revenues decreased by 2.5% or \$247K from \$18.6 million (M) in FY 2010 to \$18.4M. Revenues from liquid fuel taxes, which account for 52% of total revenues, decreased by \$299K from \$9.8M in the prior year to \$9.5M. The remaining 48% of total revenues came from licenses, fees and permits, which increased by \$124K from \$8.8M in FY 2010 to \$8.9M in FY 2011.

The THF's two major sources of revenue are derived from liquid fuel taxes and taxes and fees on vehicle registration and certain licenses. For every gallon of gasoline and diesel fuel purchased, 11 cents and 10 cents are collected for the THF, respectively. The THF is used primarily to maintain Guam's highways and roadways, implement highway safety plans, programs, projects, and provide public transit. However, over the years, the THF has been funding a variety of non-highway projects.

In FY 2011, expenditures increased by \$2M from \$19.4M in the prior year to \$21.5M. The largest expenditures went to the DPW for \$8.4M, an increase over prior year of \$1.5M. DPW expenditures represent 39% of the total expenses of \$21.5M and include funding of the Capital Improvement Projects administration and operations division, building maintenance division, and highway maintenance division. The capital projects division was added in FY 2011 and accounts for most of the increases. The second largest category went to debt service of \$6M followed by transportation related expenditures to the Guam Regional Transit Authority (GRTA) of \$2.8M. Transportation expenses declined by \$700K over prior year. GRTA was created by P.L. 30-05 to replace the Public Transit under the Department of Administration (DOA). The fourth largest category is for utilities to fund streetlights of \$2.1M, nearly doubling from the year before. Non-highway expenditures of grants, subsidies and miscellaneous expenses were \$2.1M.

Other Payments

The THF funded a variety of non-transportation expenditures totaling \$2.1M, an increase of \$273K from the prior year's \$1.8M. These payments included: (1) \$500K to the University of Guam Capital Improvement Funds to pay debt service in accordance with P.L. 26-48, (2) \$890K

to the Better Public Service Fund for technology improvement at the DRT in accordance with P.L. 29-2, (3) \$235K to the Department of Education, and (4) \$136K to the Veteran Affairs Office.

Capital Projects Fund Balance

As of September 30, 2011, the Limited Obligation Highway Refunding Bonds, 2001 Series A Capital Projects fund, had a balance of \$2.7M of which \$2.4M has been obligated leaving a balance of just \$300K for new capital projects.

Compliance Report

Two findings were reported in the compliance report. The first significant deficiency pertained to the DRT's inability to substantiate selected vehicle registrations and drivers license fees. The second finding pertained to non-highway utility costs totaling \$533K for the Government House, Government Office, and Manuel Guerrero Administration Building, which were not consistent with the fund's intent. DOA has subsequently recorded these utility costs as an expenditure of the General Fund. This finding was also reported in the management letter for FY2010 with a total cost of \$82K. These reports can be accessed on our website at www.guamopa.org.