



Territorial Highway Fund (THF) FY 2014 Financial Highlights

April 3, 2015

The Territorial Highway Fund (THF) ended fiscal year (FY) 2014 with a nominal increase in total fund balance of \$3 thousand (K) or .04%, going from \$7.791 million (M) in FY 2013 to \$7.794M in FY 2014. The total fund balance is comprised of the THF Operating Fund and the Capital Projects Fund. In FY 2014, the THF Operating Fund generated a surplus of \$794K. There were no transactions in the Debt Service Fund because all long-term liabilities were paid-off in FY 2012. According to the Department of Administration (DOA), there are no plans for additional highway bonds in the immediate future.

Independent auditors Deloitte and Touche, LLP issued an unmodified (clean) opinion for THF's FY 2014 financial audit after six adjusting journal entries with a net effect of \$1.3M were made. There were no uncorrected misstatements. For the report on internal control, the auditors identified one recurring deficiency pertaining to the lack of controls over compliance with Guam procurement requirements. In addition, a management letter identified two internal control deficiencies and one internal control matter.

Revenues

Revenues increased nominally by \$197K or 1%, going from \$18.9M in FY 2013 to \$19.1M in FY 2014. This growth in revenues was primarily due to an increase in licenses, fees, and permits of \$232K or 3% from \$9M in FY 2013 to \$9.3M in FY 2014. This was due to an incremental increase in motor vehicle registrations.

Expenditures

Overall combined expenditures increased by \$2.2M or 13%, going from \$16.9M in FY 2013 to \$19.1M in FY 2014. The 13% increase was primarily due to the \$1.8M acquisition of land associated with the Tiyan Parkway Project; and a one-time transfer of \$776K to the General Fund representing a repayment reduction in the inter-fund receivable.

THF's largest expenditures were comprised of the following: (1) \$8M for transportation, which increased by \$1.4M or 22% over the prior year due to the Tiyan Parkway expenditures; (2) \$4.4M for general government, which decreased by \$87K from the prior year; and (3) \$2.9M for Guam Regional Transit Authority (GRTA) for \$2.9M, which decreased by \$65K from the prior year. THF's expenditures included DOA costs for public streetlights of \$3.6M plus Mayors' Council utilities of \$766K.

Non-highway/ Non-transportation Expenditures

The THF is used primarily to maintain Guam's highways and roadways, and implement highway safety plans, programs, and projects. However, over the years, a variety of non-highway projects have been funded. For FY 2014, non-highway/non-transportation expenditures significantly increased by \$364K or 16%, going from \$2.3M in FY 2013 to \$2.7M in FY 2014.

These non-highway/non-transportation expenditures included the following: (1) \$930K to the Better Public Service Fund for technology improvement at Department of Revenue and Taxation (DRT), (2) \$886K to the Guam Department of Education (GDOE) for the cost of fuel for school buses, (3) \$750K to the University of Guam (UOG) for capital improvement debt service and rental payments, and (4) \$100K to the Guam Community College (GCC) for rental payments.

Capital Projects Fund

The Capital Projects Fund has 10 projects totaling \$2.8M. Of the 10 projects, three residual construction projects totaling \$434K have been committed, but have yet to be acted upon. These projects include the following: (1) R.T. Damian Street Repairs for \$345K, (2) Algeta Street Repairs for \$59K, and (3) Mamis Street Pavement for \$30K.

Overall, THF's Capital Projects Fund is winding down whereby more of its funds will be used to finance operations.

Report on Internal Control Over Financial Reporting and Compliance

In the report on internal controls, THF had one finding pertaining to non-compliance with Government of Guam procurement requirements. In FY 2014, local funds totaling \$2.5M, utilized for GRTA bus transportation expenditures, demonstrated no competitive procurement and instead was sole sourced. This was cited as a recurring finding from prior audits.

Management Letter

THF's management letter cited two deficiencies related to the following: (1) \$271K of incorrectly recorded tax revenues, and (2) \$481K of untimely encumbrances recorded from FY 2013 and prior. The auditors also identified an internal control matter related to unauthorized expenditures for the use of cellular phone services.

For a more detailed commentary of THF's operations, refer to the Management's Discussion and Analysis in the audit report or visit our website at www.opaguam.org.