



Territorial Highway Fund (THF) FY 2010 Financial Highlights

April 19, 2011

The Territorial Highway Fund (THF) ended fiscal year (FY) 2010 with an \$826 thousand (K) decrease in fund equity from \$1.6 million (M) in FY 2009 to \$823K in FY 2010. The THF's two major sources of revenue are derived from liquid fuel taxes and taxes and fees on vehicle registration fees and certain licenses. For every gallon of gasoline and diesel fuel purchased, 11 cents and 10 cents are collected for the THF, respectively.

The Independent Auditors, Deloitte and Touche, LLP, issued an unqualified or clean opinion for FY 2010 financial statements. Four audit adjustments were made that had a cumulative effect of decreasing fund equity by \$128K.

Revenues and Expenditures Increased

For FY 2010, the THF revenues increased by 3% or \$595K from \$18.0M in FY 2009 to \$18.6M. Revenues from liquid fuel taxes, which account for 53% of total revenues, increased by \$337K from \$9.4M in the prior year to \$9.8M. The remaining 47% of total revenues come from licenses, fees and permits, which increased by \$263K from \$8.5M in FY 2009 to \$8.8M in FY 2010.

The THF is used primarily to maintain Guam's highways and roadways, and implement highway safety plans, programs, projects, and provide public transit. However, over the years, THF funds a variety of non-highway projects. For FY 2010, expenditures from the THF operating fund slightly increased by \$110K from \$13.3M in the prior year to \$13.4M. The largest expenditure went to fund four divisions of Department of Public Works: (1) Capital Improvement Projects, (2) Building Maintenance, (3) Highway Maintenance, and (4) Transportation. These expenditures were \$6.9M or 36% of total expenditures. The next biggest expenditure is \$6.0M or 31% for debt service, followed by \$3.5M or 18% for public transit-related expenditures, \$1.1M or 6% for utilities, and \$1.8M or 9% for miscellaneous expenses.

Creation of the new Guam Regional Transit Authority

In March 2009, Public Law (P.L.) 30-05 created the Guam Regional Transit Authority (GRTA), which replaced the Public Transit under the Department of Administration. Total public transit-related expenditures for FY 2010 was \$3.5M, of which \$3.2M was for the GRTA and the remaining \$368K was for Public Transit.

Other Payments

The THF paid for a variety of non-transportation expenditures. In FY 2010, these payments were \$1.6M, an increase of \$147K from the prior year's \$1.4M. 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) \$878K to the Better Public Service Fund for technology improvement at the

Department of Revenue and Taxation (DRT) in accordance with P.L. 29-2, (3) \$85K to the Department of Education, (4) \$84K to the Department of Law, and (5) \$29K to the Veteran Affairs Office.

Debt Balance

As of September 30, 2010, the Limited Obligation Highway Refunding Bonds, 2001 Series A had a balance of \$11.3M. The bonds were used for paying government of Guam's highway maintenance and operation costs.

Management Letter

Two control deficiencies were reported in the management letter. These findings pertained to utility costs totaling \$82K for the Government House, Government Office, and Manuel Guerrero Building, which were not consistent with the fund's intent. The other finding pertained to licenses, fees, and permit revenues that lacked supporting documentation from DRT and revenues recorded in the wrong fund accounts.

DRT's lack of supporting documentation caused over a three-month delay on the issuance of the THF financial audit.

These reports can be accessed on our website at www.guamopa.org or at the DOA website at www.doa.guam.gov.