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Guam Highway Fund – FY 2019 Financial Highlights

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Hagåtña, Guam – The Office of Public Accountability (OPA) released the Guam Highway Fund’s (GHF) financial statements, report on compliance and internal control, management letter, and the auditor’s communication with those charged with governance for fiscal year (FY) 2019. Independent auditors, Ernst & Young LLP (EY), rendered an unmodified (clean) opinion on GHF’s financial statements, for which no material weaknesses or significant deficiencies were identified. However, EY did issue a management letter for FY 2019.

During FY 2019, GHF revenues increased while GHF expenditures decreased, which ended FY 2019 with an increase in net position (net income) of \$4.7 million (M). This was an improvement from the \$321 thousand (K) net income in FY 2018.

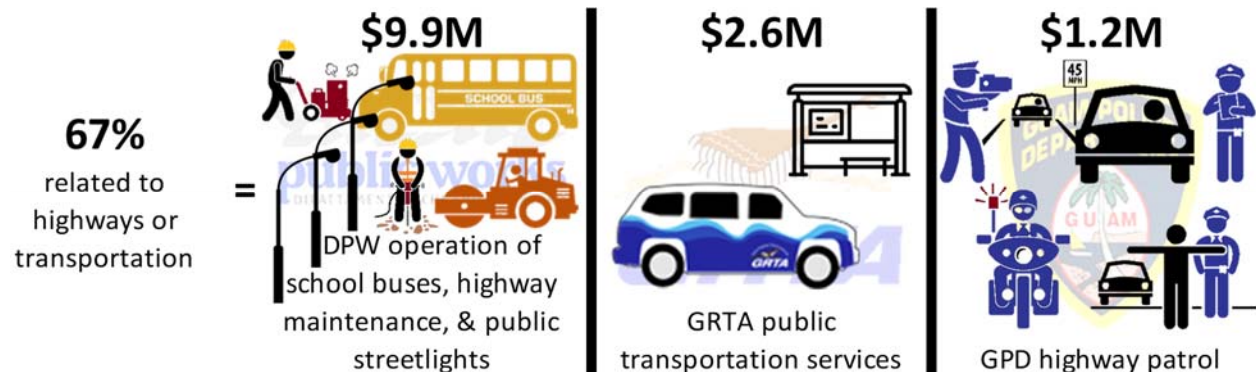
GHF records two governmental funds, both ending FY 2019 with a positive fund balance – the operating fund (or GHF) with \$6.4M and the Capital Projects Fund with \$176K. Combined, GHF’s ending fund balance increased by 251% (or \$4.7M), from \$1.9M in FY 2018 to \$6.6M in FY 2019.

Increased Revenues

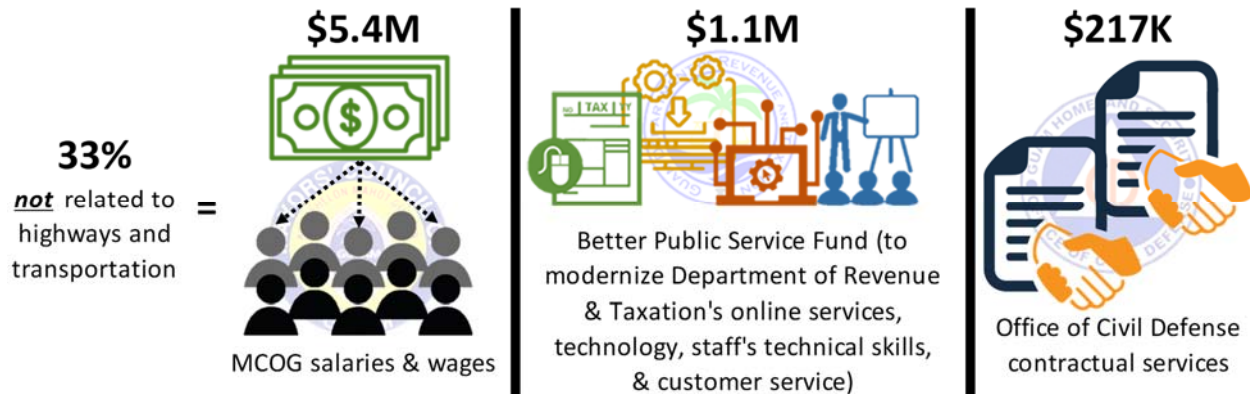
Total revenues increased from \$23.1M in FY 2018 to \$25.2M in FY 2019. Collections from Liquid Fuel Taxes (LFT) increased by \$1.1M (or 9%) due primarily to an additional 4¢ per gallon on LFT that became effective January 1, 2018. In addition, collections from automotive surcharges, vehicle registration fees, and driver’s license fees also increased by \$969K (or 10%).

33% of Expenditures Unrelated to Highways and Transportation

Total expenditures decreased by \$2.3M (or 10%) to \$20.5M in FY 2019. Out of \$20.5M in expenditures, 67% (or \$13.7M) was related to highways or transportation. These include \$9.9M to the Department of Public Works’ (DPW) operation of school buses, highway maintenance, transportation, and public streetlights; \$2.6M to the Guam Regional Transit Authority (GRTA); and \$1.2M to the Guam Police Department’s (GPD) highway patrol.



GHF is secured for the maintenance and construction of highways and roadways, as well as the implementation of all highway safety plans, programs, and projects. However, as with prior years, a significant portion of GHF expenditures were not related to highways or transportation. Out of FY 2019's total expenditures, 33% (or \$6.8M) was unrelated to highways and transportation. Unrelated expenditures include \$5.4M to Mayors' Council of Guam (MCOG) salaries and wages; \$1.1M to the Better Public Service Fund; and \$217K to Office of Civil Defense contractual services.



Capital Projects

The Capital Projects Fund accounts for highway construction projects funded by bond proceeds. With GHF-funded construction projects completed, there has been no project activity since FY 2016, and the Capital Projects Fund's ending balance has remained at \$176K.

Management Letter

In a letter to management, EY noted one instance where a construction project's retainage was paid before the project's completion and approval. Management identified the error and corrected it by offsetting a future payment.

Uncorrected Misstatement

GHF had one uncorrected misstatement that would have increased its FY 2019 net position by \$70K.

For more details on the use of GHF, see the Management's Discussion and Analysis in the audit report at www.opaguam.org.