



OFFICE OF THE PUBLIC AUDITOR

TERRITORIAL HIGHWAY FUND

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February 19, 2004

The audit of the Territorial Highway Fund (THF) for fiscal year 2001 was prepared by Deloitte & Touche, LLP. This audit is over a year and a half late, a repeat of the 2000 audit, which was 13 months late.

Total revenues were \$17 million, a slight drop from prior year revenues of \$17.4 million. Revenues are generated from liquid fuel tax charged on aviation, diesel, and other fuel sales. Licenses and fees are from motor vehicle fees, registration, and driver's licenses. In April 2001, the bonds were refinanced and resulted in \$2.5 million in additional revenue.

Total expenditures in 2001 were \$29 million, compared to \$18.6 million in 2000. Debt service on the bonds was \$5.9 million (\$3 million for Interest and \$2.9 million for Principal), \$17.7 million for Operations and Maintenance, \$2 million was transferred to the General Fund, and \$3.3 million went to Guam Mass Transit Authority (GMTA) to fund its annual operations. GMTA receives its annual funding from the liquid fuel taxes that are dedicated to providing public transportation.

Although the THF was one employee less in FY 2001 than in FY 2000, total salaries increased to \$3 million, compared to \$2.6 million in the prior year.

Operations and Maintenance expenses increased \$9.5 million to \$17.7 million, compared to \$8 million in the prior year. The increase was primarily due to power charges totaling \$9.5 million for streetlights, which were accrued, but are still unpaid due to the lack of authority and appropriation to make the payments.

There was a drop in tax receivables to only \$7 million from \$19.3 million in FY 2000. The significant decrease is due to the \$27.4 million allowance for uncollected taxes compared to \$11.8 million allowance in the prior year. This means that 79 cents of every tax dollar is expected to be uncollectible. Finding No. 01-03 indicated that the \$12.6 million overstatement in liquid fuel tax receivables was due to the lack of reconciliation procedures between the Department of Administration (DOA) and Department of Revenue and Taxation.

In FY 2001, cash in the Capital Projects Fund account was \$24.9 million and is available to

fund on-going capital projects of \$15.7 million. In FY 2001, only \$1,931 of the Capital Projects Fund was used, while four capital projects (total value of \$5 million) remained untouched since the inception of the 1992 Series A Bond. However, inquiries with a DOA Accounting Supervisor in January 2004 indicated funds for the four projects have been re-programmed in FY 2004.

There was improvement in the THF from the nine findings in FY 2000 Compliance report to four findings in FY 2001. These findings included noncompliance with P.L. 23-128, overstatement of liquid fuel tax receivables, and contract liabilities not being updated in a timely manner. P.L. 23-128 requires 50% of all monies in the Surplus Fund of the Limited Obligation Highway Bonds, Series A Debt Service Fund be paid on the 5th day of each month to the Village Streets Fund.