



Territorial Highway Fund (THF) FY 2012 Financial Highlights

April 15, 2013

The Territorial Highway Fund (THF) ended fiscal year (FY) 2012 with a \$3.3 million (M) increase in fund balance. Independent auditors Deloitte and Touche, LLP issued an unqualified (clean) opinion for THF's FY 2012 financial audit. The Department of Administration (DOA) is to be commended as there were no findings regarding internal control over financial reporting and compliance.

Revenues and Expenditures Increased

The THF operations fund saw a slight revenue increase of \$500 thousand (K) or 2.7% from \$18.4M in FY 2011 to \$18.9M in FY 2012. The THF's two major sources of revenue are derived from liquid fuel taxes and taxes and fees on vehicle registration and certain licenses. Revenues from liquid fuel taxes, which account for 52% of total revenues, increased by \$353K from \$9.5M in the prior year to \$9.8M. This was primarily due to the increase in taxes collected for aviation fuel. The remaining 48% of total revenues came from licenses, fees, and permits, which increased by \$151K from \$8.9M to \$9.1M due to the increase in fees collected for driver licenses. For every gallon purchased, THF collected 11 cents from gasoline and 10 cents from diesel fuel.

In FY 2012, total expenditures increased by \$921K from \$21.5M in the prior year to \$22.4M. The largest expenditures were paid under DOA's Division of Accounts, which represented 56% of total expenditures or \$12.6M. This was mainly attributed to debt service payments of \$6M and power and water payments amounting to \$4.9M. Power and water expenses more than doubled from \$2.1M to \$4.9M.

The second largest expenditures were paid to the Department of Public Works (DPW) which represented 27% of the total expenditures or \$6M and a \$2.4M decrease from the previous year's \$8.4M. This was mainly attributed to the non-funding of expenditures for the Capital Improvement Projects (CIP) Administration and Operations Division and significant decrease of funding in Building Maintenance Division. DPW expenditures for 2012 included funding for mainly three divisions: (1) Highway Maintenance, (2) Transportation, and (3) Capital Projects.

Other transportation-related expenditures represented 13% of total expenditures, which were for the Guam Regional Transit Authority (\$2.6M) and Public Transit (\$357K).

Non-highway/ Non-transportation Expenditures

The THF is used primarily to maintain Guam's highways and roadways, implement highway safety plans, programs, and projects, and provide public transit. However, over the years, the THF has been funding a variety of non-highway projects. For FY 2012, non-highway/non-

transportation expenditures increased by \$680K from \$1.6M to \$2.3M, which represented 10.3% of total expenditures. The expenditures were as follows:

- \$500K to the University of Guam Capital Improvement Funds to pay debt service in accordance with P.L. 26-48;
- \$905K to the Better Public Service Fund for technology improvement at the Department of Revenue and Taxation in accordance with P.L. 29-2; and
- \$900K to the Department of Education for the cost of fuel for school buses.

Limited Obligation Highway Refunding Bonds

In April 2001, the Limited Obligation Highway Refunding Bonds, 2001 Series A (2001 Bonds) were issued to refund the Limited Obligation Highway Bonds, 1992 Series A (1992 Bonds). The 1992 Bonds had a term bond maturity in May 2012. In October 2011, the 2001 Bonds were paid off.

Capital Projects

As of September 30, 2012, the total fund balance amounted to \$5.8M, of which \$1.4M was restricted for capital projects and \$4.3M was committed for highway operations. A total of \$1.1M was appropriated for the repair of damage village streets associated with road reconstruction projects in accordance with Public Law (PL) 30-217. In addition, \$2.3M was appropriated for the refurbishing of DPW school buses and other related matters in accordance with PL 30-216.

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