



## **Territorial Highway Fund (THF) FY 2013 Financial Highlights**

April 2, 2014

The Territorial Highway Fund (THF) ended fiscal year (FY) 2013 with a \$2 million (M) or 35% increase in fund balance from \$5.8M in FY 2012 to \$7.8M in FY 2013. Independent auditors Deloitte and Touche, LLP issued an unmodified (clean) opinion for THF's FY 2013 financial audit. One finding was identified in the internal control over financial reporting and compliance which referred to local funds totaling \$2.5M used by the Guam Regional Transit Authority (GRTA) for bus transportation services that were sole sourced and not competitively procured. A management letter was also issued identifying problems with the Department of Revenue & Taxation's (DRT) inadequate document retrieval system.

### **Revenue Slightly Increased and Expenditures Significantly Decreased**

The THF operations saw a slight revenue increase of \$17.5 thousand (K) from \$18.89M in FY 2012 to \$18.90M in FY 2013 which was primarily due to increases in licenses, fees, and permit collections. The two major sources of revenue are derived from liquid fuel taxes and fees on vehicle registration and certain licenses. Revenues from liquid fuel taxes accounted for 52% of total revenues while the remaining 48% were from licenses, fees, and permits. For every gallon of fuel purchased, THF collected 11 cents from gasoline and other fuel, 10 cents from diesel fuel, and 4 cents from aviation fuel.

In FY 2013, total expenditures significantly decreased by \$5.5M from \$22.4M in the prior year to \$16.9M. The decrease was the result of no debt payments as the Limited Obligations Highway Refunding Bonds (2001 Bonds) were paid off. Administration officials stated that there are no plans to issue highway bonds in the near future.

The largest expenditures were paid for the Department of Public Works (DPW) of \$6.7M which increased by \$737.5K (12%) from the previous year's \$6M and represented 40% of the total expenditures. The increase was primarily attributed to utilities - power & water which increased by \$754.7K (738%) to \$857K, capital outlays by \$243.9K (161%) to \$395.9K, and supplies by \$166.4K (18%) to \$1.09M. The 67 employees are funded by the THF. DPW expenditures funded three divisions: (1) Highway Maintenance, (2) Transportation, and (3) Capital Projects.

The second largest expenditures were payments for the Department of Administration's (DOA) Division of Accounts for \$6.2M and represented 37% of total THF expenditures. DOA's major expenditures were for the utilities of \$3.7M for streetlights throughout the island and \$766K for utilities for the Mayor's Council of Guam.

The third largest expenditures were for GRTA's operations of \$3M which is 18% of the total expenditures. Expenditures increased by \$421K or 17% from \$2.6M in FY 2012 to \$3M in FY

2013. GRTA's largest expenditure was for the payment of contractual services of \$2.5M which increased by \$350K or 16% from the prior year. GRTA contracts out the island's mass transit services.

### **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, a variety of non-highway projects have been funded. For FY 2013, non-highway/non-transportation expenditures totaling \$2.3M has slightly decreased by less than 1% or \$2.3K and represented 14% of total expenditures. The expenditures were as follows:

- \$500K to the University of Guam Capital Improvement Funds to pay debt service in accordance with Public Law (P.L.) 26-48;
- \$901K to the Better Public Service Fund for technology improvement at the DRT in accordance with P.L. 29-2; and
- \$902K to the Department of Education for the cost of fuel for school buses.

### **Capital Projects**

As of September 30, 2013, the total fund balance amounted to \$7.8M, of which \$1.3M was restricted for capital projects and \$6.5M was committed for highway operations. A total of \$1.1M was appropriated for the repair of damaged village streets and road reconstruction projects in accordance with P.L. 30-217. In addition, \$2.3M was appropriated for the refurbishing of DPW school buses and other related matters in accordance with P.L. 30-216. For FY 2013, capital related expenditures amounted to \$165K.

### **Report on Internal Control on Financial Reporting & Compliance**

One noncompliance matter was identified in the procurement of bus transportation by GRTA which was non-competitively procured through sole source totaling \$2.5M. The GRTA has the same finding noted in OPA Report No. 12-06 Analysis of Top 10 Vendors, where GSA/CPO relied upon documents dated back to 2008 for sole source procurement.

### **Management Letter**

The independent auditors issued a management letter pertaining to the inadequate document retrieval system at DRT. Of the 40 randomly selected accounts, DRT was unable to provide support, such as a copy of motor vehicle registration or driver's license application within its system for 10 items. The auditors recommended that DRT obtain sufficient funding and an IT plan to allow scanning of all motor vehicle registration and driver's license application forms into its system.

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.guamopa.org](http://www.guamopa.org).