

Territorial Highway Fund FY 2005 Financial Highlights

June 27, 2006

Deloitte & Touche, LLP conducted the FY 2005 financial audit of the Territorial Highway Fund (THF). Total revenues for the year amounted to \$18.1 million which represents an increase of 28% from FY 2004 revenues of \$14.1 million. This is the first increase in the last five years where revenues had steadily declined going from \$18.5 million in 2001, \$15.5 million in 2002, \$14.8 million in 2003, and down to \$14.1 million in 2004.

Expenditures dropped from \$16 million in FY 2004 to \$14 million in FY 2005, a 14% decrease. Expenditures were \$4.6 million for general and administrative expenditures, of which \$3.8 million went to salaries, wages, and benefits of the Department of Public Works (DPW) Maintenance Division, \$6 million for debt service, and \$2.4 million to the Guam Mass Transit Authority for their fiscal year operations.

In accordance with P.L. 23-128, fifty percent of all monies in the Surplus Fund of the Highway Bonds are to be paid to the Village Streets Fund. For FY 2005, \$491,000 was transferred to the Village Streets Fund. Another annual payment required by law is \$500,000 to the University of Guam Capital Improvements Fund for debt service incurred for the design, construction, and collateral equipment of the College of Business and Public Administration and for the building repairs.

In 2001, a liability of \$9.5 million to Guam Power Authority (GPA) was recorded for power for streetlights. However, there have been no appropriations to pay GPA and the Attorney General is now reviewing the legitimacy of the liability.

In FY 2004, a settlement was entered in favor of a plaintiff that resulted in the THF recognizing a tax drawback liability of \$8.6 million. In FY 2005, \$4.9 million remains outstanding.

The THF has a deficit of \$4.5 million which is comprised primarily from the \$10.4 million liability to GPA and \$4.9 million tax drawback liability. The THF has minimal cash and is owed \$9.9 million from the General Fund.

The Capital Projects Fund has over \$25 million in cash awaiting the implementation of capital improvement highway projects. This cash has been available for several years for road projects.

There were four findings in FY 2005 compared to four found in FY 2004. The first finding found that tax drawbacks per DOA were materially overstated by over \$5 million. Another was a deposit in October of 2005 of \$976,936 was incorrectly recorded as a September 2005 deposit in transit. The third finding had approximately \$1,325,932 of liquid taxes incorrectly recorded as General Fund revenues. The fourth finding related to an un-adjusted interfund balance of \$6,800,987 between the THF and the Debt Service Fund.