



Guam Highway Fund FY 2016 Financial Highlights

March 31, 2017

The Guam Highway Fund (GHF) ended fiscal year (FY) 2016 with a \$2.0 million (M) decrease in the combined operating fund and capital projects fund balance of \$2.7M, from \$4.7M in FY 2015. This was primarily due to a transfer out to the General Fund of \$2.3M to fund General Fund operations. Total revenues of \$19.6M slightly increased by \$599 thousand (K) or 3% while expenditures decreased by \$449K or 2%. Of the total expenditures of \$21.6M, only \$10.7M (49%) were spent for highway/transportation related projects while \$10.9M (51%) were spent by other government agencies for non-highway/non-transportation related projects.

Independent auditors Deloitte and Touche, LLP issued an unmodified (clean) opinion for GHF's FY 2016 financial audit. For the report on internal control and on compliance, the auditors identified one finding pertaining to the use of sole source procurement for bus transportation services amounting to \$2.2M. This has been a repeat finding for FY 2013 and FY 2014.

Revenues Slightly Increased/Expenditures Slightly Decreased

Revenues increased nominally by \$599K or 3%, going from \$19.0M in FY 2015 to \$19.6M in FY 2016. The increase in revenues was primarily due to the increase in driver's license fees collections.

Overall combined expenditures of \$21.6M decreased by \$449K or 2%, going from \$22.1M in FY 2015 to \$21.6M in FY 2016. The decrease was primarily due to the net decrease in all expenditures by \$2.7M, which was offset by the permanent transfer out to the General Fund for \$2.3M.

Highway/ Transportation Expenditures/Non-Highway/Non-transportation Expenditures

Highway/transportation related expenditures were for the Department of Public Works of \$6.4M (30%), Guam Regional Transit Authority of \$2.7M (13%), Department of Administration of \$1.2M (5%) for the village street lights, and for the Public Transit Fund of \$333K (2%).

The largest non-highway/non-transportation related expenditures were for the Department of Education of \$4.7M (22%), General Fund of \$2.3M (11%), Mayors Council of Guam of \$2.1M (10%), and Better Public Service Fund of \$955K (4%). The University of Guam and Guam Community College received a total of \$779K (4%).

Capital Projects Fund

The Capital Projects Fund has seven projects with a budget totaling \$2.6M. The biggest project is the repair, restoration, and preventive maintenance of DPW school buses (\$1.5M), followed by Gill Baza access road (\$420K), R.T. Damian street repairs (\$280K), Barrigada Village street

repairs (\$228K), and Kinney's road repairs (\$129K). All projects, except the R. T. Damian street repairs have been completed.

Capital Project Bond

The Limited Obligation Highway Refunding Bond, 2001 Series A was redeemed in October 2011. Preliminary meetings were held to discuss draft legislation that proposes the Government of Guam to borrow \$50.0M for village road repairs with the anticipated annual debt service of \$3.5M over 25 years to be funded by the GHF.

Report on Internal Control over Financial Reporting and Compliance

In the report on internal control and on compliance, the auditors identified one finding pertaining to the use of sole source procurement for bus transportation services totaling \$2.2M which was procured through an inappropriate procurement method.

Management Letter

The management letter cited two deficiencies. The first deficiency pertained to a recorded encumbrance of \$2.0M for streetlight utilities that were invalid, while the second pertained to cellular services for \$23K that were incurred and paid by the GHF.

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