



OFFICE OF THE PUBLIC AUDITOR

**Territorial Highway Fund
FY 2008 Financial Highlights**

April 9, 2009

The Territorial Highway Fund (THF) operating fund ended fiscal year (FY) 2008 on a positive note with a \$3.5 million (M) gain in net assets, going from negative \$3M in FY 2007 to a positive \$581,000 in FY 2008. This gain is attributed to an increase in revenues, contained expenditures, and a transfer in the responsibility of streetlight obligations to the General Fund. This is the first year the THF operating fund does not have a deficit because it is no longer responsible for the payment of streetlights.

Operations

The THF receives its revenues from liquid fuel taxes, vehicle registration fees, and certain licenses. During FY 2008, the THF increased its revenues by \$2.8M from the previous fiscal year, going from \$15.8M to \$18.6M. The increase is due to the full effect of the May 2007 increase in licenses, fees, and permits. Revenues from licenses, fees, and permits equaled \$4.6M in 2006, \$5.8M in 2007, and \$8.8M in 2008. The increase almost doubled the revenues from licenses, fees, and permits representing 48% of the THF's total revenues compared to the 33% it represented in 2006 and 37% in 2007. The remaining \$9.8M, or 52% of total revenues, come from liquid fuel taxes. For every gallon of gasoline purchased, eleven cents goes to the THF's operating fund to pay for debt service and highway related expenditures.

The THF is used to maintain Guam's highways and roadways, and implement highway safety plans, programs and projects. Expenditures from the THF operating fund increased slightly by \$314,000, going from \$10.1M in 2007 to \$10.5M in 2008. Overall expenditures for the THF operating fund, capital projects fund, and debt service fund went from \$24.3M in FY 2007 to \$18.7M in FY 2008, a decrease of \$5.6M. These expenditures included \$6M for debt service, \$2.7M for the Department of Administration Public Transit, \$1.5M for the Department of Public Works (DPW) CIP Administration/Operations, \$1.3M for DPW Building Maintenance, \$3.9M for DPW Highway Maintenance, \$880,000 for the Mayor's Council of Guam road repairs and maintenance, and \$26,000 for the Department of Land Management.

As of September 30, 2008, the THF made an additional \$500,000 payment to catch up with its annual \$500,000 appropriation to the UOG Capital Improvements Fund, which is used to pay for the University of Guam's debt service. For next year, the payments will revert back to \$500,000.

Streetlight Liability Transfer to the General Fund

In September 2006, the THF recorded a balance of \$10.9M, \$9.2M in principal and \$1.7M in interest, representing an obligation for electrical services provided by GPA for streetlights. The General Fund liquidated and absorbed this obligation, making the THF no longer liable to pay for the accrued charges. In FY 2007, the liability for streetlights of \$9.3M was transferred from the THF to the General Fund. In FY 2008, the THF received a \$3.1M transfer from the General

Fund, which represents the total liquidation of the past due streetlight obligation to the Guam Power Authority.

Capital Projects Fund

In FY 2006, DPW entered into three construction contracts, the Islandwide Village Street Restoration (Design-Build) for \$17.8M, the Islandwide Pothole Repairs – Southern Region for \$1.7M, and the Islandwide Pothole Repairs – Northern Region for \$3.6M. During FY 2008, there were \$1.4M in capital-related expenditures, leaving \$2.6M in outstanding commitments under these contracts.

Auditors' Opinion and Compliance

The Independent Auditors, Deloitte and Touche, issued an unqualified or clean opinion. There were no deficiencies in internal control over financial reporting identified. These reports can be accessed on our website at www.guamopa.org or at the Department of Administration's website at www.doa.guam.gov. There was no management letter for FY 2008.