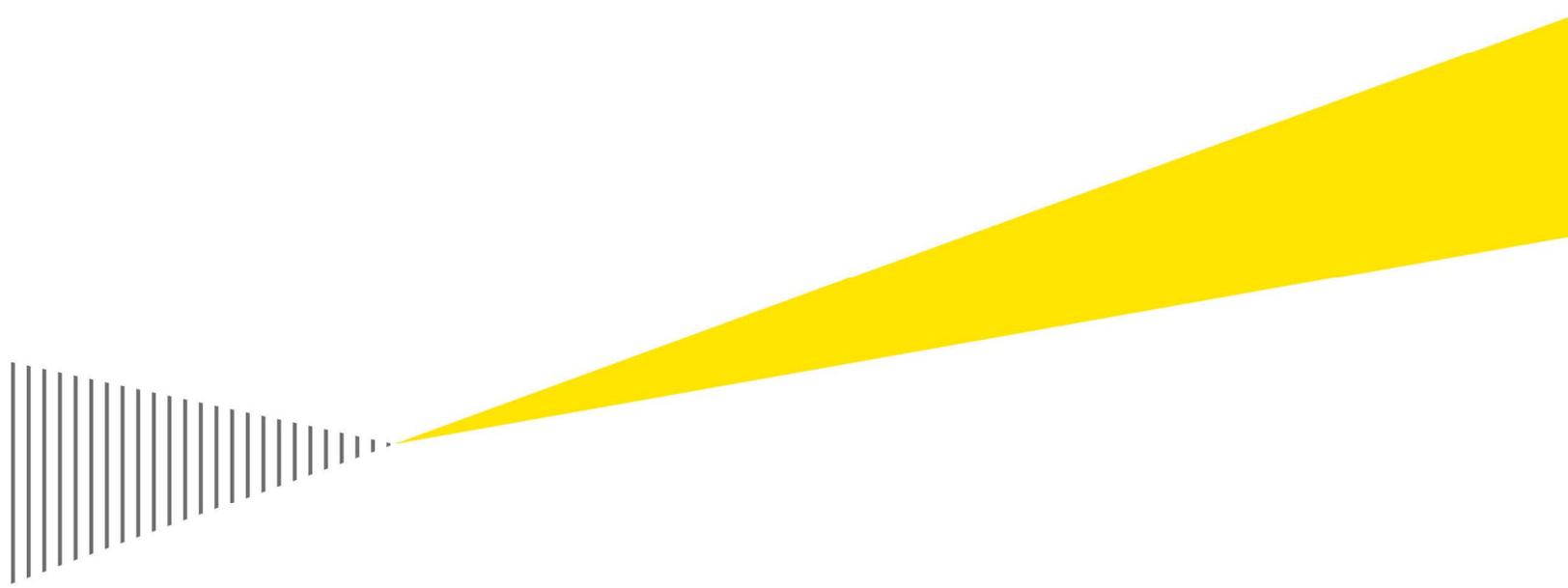


*Financial Statements and  
Supplementary Information*

**Guam Housing Corporation**  
(A Component Unit of the Government of Guam)

*Years ended September 30, 2013 and 2012  
with Report of Independent Auditors*



**Building a better  
working world**

Guam Housing Corporation  
(A Component Unit of the Government of Guam)

Financial Statements and  
Supplementary Information

Years ended September 30, 2013 and 2012

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## Report of Independent Auditors

The Board of Directors  
Guam Housing Corporation

### **Report on the Financial Statements**

We have audited the accompanying statements of net position of the Guam Housing Corporation (the Corporation), a component unit of the Government of Guam, as of September 30, 2013 and 2012, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Guam Housing Corporation's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Guam Housing Corporation, as of September 30, 2013 and 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended, in conformity with U.S. generally accepted accounting principles.

## ***Required Supplementary Information***

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 4 through 23 and the schedule of Funding Progress on page 55, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Guam Housing Corporation's basic financial statements. The supplementary information included in Schedules 1 through 4 are presented for purposes of additional analysis and is not a required part of the financial statements.

The supplementary information included in Schedules 1 through 4 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we also have issued our report dated February 14, 2014 on our consideration of the Guam Housing Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Guam Housing Corporation's internal control over financial reporting and compliance.

*Ernst + Young LLP*

February 14, 2014

Guam Housing Corporation  
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis

September 30, 2013

As management of the Guam Housing Corporation (GHC, the Corporation), we offer the readers of the Corporation's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended September 30, 2013. We encourage the readers to consider the information presented as you review the financial statistics presented on the following pages.

**A. About the Corporation**

GHC continues to make steady progress. Even with limited capital, GHC continues to move forward with its own lending programs as well as programs in cooperation with the United States Department of Agriculture (USDA) Rural Development and the Land Trust Initiative. GHC still faces the usual concerns of a turbulent economy, however, loan origination and service remain steady.

The "Housing Trust Fund Act" and the "First-time Homeowners Assistance Program Act" (P.L. 31-166 of 05 Jan 2012) continue to be a successful work in progress.

Housing Trust Funds remain the most impressive advance in the affordable housing field in the United States. Because housing is the foundation of every healthy community, local and state governments are recognizing that they need to contribute public resources to adequately house their residents, and they are using Housing Trust Funds as the vehicle to do exactly that.

Housing Trust Funds are distinct funds established by local governments that receive ongoing dedicated sources of public funding to support the preservation and production of affordable housing and increase opportunities for families and individuals to access decent affordable homes. Housing Trust Funds systemically shift affordable housing funding from annual budget allocations to the commitment of dedicated public revenue.

There are now 47 states with Housing Trust Funds, as well as the District of Columbia, and more than 625 city and county Housing Trust Funds in operation. They dedicate nearly \$1 billion annually to help address critical housing needs throughout the country. The number of Housing Trust Funds has doubled in the last seven years.

Housing Trust Funds are extremely flexible and can be used to support innovative ways to address many types of housing needs. The model can work in virtually any situation. They have been created to serve small towns as well as the largest states in the country. These funds are also very efficient. Many Housing Trust Funds report highly successful track records addressing a wide range of critical housing needs.

Guam Housing Corporation  
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

September 30, 2013

**A. About the Corporation, continued**

*Center for Community Change*

GHC's mandate is to help individuals and families secure mortgage financing, who cannot otherwise qualify as borrowers through other means. The current conditions in Guam's real estate market, coupled with more stringent lending practices of local conventional lending institutions, has created an environment that has allowed GHC to assist working class families. GHC's borrowers are diverse and include teachers, firemen, police officers, office managers, office workers, and hotel and restaurant employees. They walk through our doors seeking financing for their first home in order to fill the basic need of housing for their families. It is for this very reason why GHC seeks additional lending capital for those families who have been pre-qualified.

By virtue of Title 21, Chapter 75 of the Guam Code Annotated, GHC is the primary, and in most cases the only authorized lender for Chamorro Land Trust Property (CLTP) recipients seeking mortgage financing. Loan programs available to veterans, who are also recipients of the CLTP, were limited to GHC's loan program and U.S. Veteran's Administration direct loan under the Native American Loan Program. However, with the recent execution of the Memorandum of Understanding between the CLTP, GHC and Rural Development, direct loans from Rural Development can now be extended to veterans with Chamorro Land Trust Leases.

The current inventory of housing units is insufficient to meet the needs of Guam's people. It is imperative that GHC, as a government entity, continue to work to address the housing needs of our island residents. GHC under its mandate is geared to accomplish this mission.

*Loan and Supplemental Funding Programs*

Currently, GHC makes available the following programs:

*I. Regular Loan Program*

The residential mortgage lending program is to assist families and individuals, who are first-time homeowners and are unable to obtain financing for purchase or construction through conventional lending institutions. During the October 2012 regular meeting of the Board of Directors, the current interest rate for this program was changed to 6.49%.

Guam Housing Corporation  
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

September 30, 2013

**A. About the Corporation, continued**

*Loan and Supplemental Funding Programs, continued*

*II. Six Percent Loan Program*

This is a low interest rate residential mortgage loan program to assist families and individuals who are first-time homeowners and are unable to obtain financing from conventional mortgage lending institutions. The interest rate on this program was changed to match that of the local markets with a floor of 4% and a ceiling of 6% for a term of 30 years (P.L. 31-166).

*III. Community Affordable Housing Action Trust (CAHAT)*

This is an interest free second mortgage program designed as a program for first time homeowners for families and individuals who lack the resources to purchase or construct a typhoon-resistant home. Enabling legislation is P.L. 21-99. Term of the loan is 30 years.

*IV. Leveraged Loan Program*

This loan program was effectuated via a Memorandum of Understanding between GHC (Government of Guam) and Rural Development, USDA on September 5, 2005. The program is a joint financing concept whereby an applicant receives two separate loans to obtain a 100% financing. GHC provides 20%, holding the first mortgage; and the Rural Development provides 80% for the second mortgage.

GHC's loan will be at the interest rates established for its regular loan program for a term of 30 years. Rural Development loans will be available at the prevailing interest rate for a term of 33 years. However, because Rural Development's loan is a subsidized loan, the interest rate may be reduced depending on the borrower's income. This subsidy increases the buying power of an individual.

Guam Housing Corporation  
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

September 30, 2013

**A. About the Corporation, continued**

*V. First-time Homeowners Assistance Program Act*

In January of 2012, GHC was able to revive this program with the introduction of the "Housing Trust Fund Act" (P.L. 31-166) and, in June 2012, re-initiated the "First-time Homeowners Assistance Program" (FTHAP) as re-established by P. L. 31-227. A provision of this law required GHC to fund the initial program with \$500,000 of its fund. In April 2013, the initial \$500,000 was either disbursed or encumbered. On June 13, 2013, in accordance with P.L. 32-036, the Department of Administration transferred to the Corporation approximately \$1.2 million for the FTHAP. During the fiscal year 2013, \$243,058 was disbursed leaving a balance of \$985,713 at September 30, 2013.

Eligible recipients of the program are provided up to \$10,000 (4% of a mortgage loan amount maximum of \$250,000) to be used for down-payment assistance or closing cost.

The program is not restricted with GHC loans. Currently, there are ten (10) participating financial institutions and two government agencies.

*Rental Division*

GHC acquired 115 Lada Gardens homes in Dededo back in 1969 and are managed by the Corporation's Rental Division. The rental units are comprised of two, three, and four bedroom homes rented to eligible individuals and families. GHC also has two (2) single-family homes in Sagan Linahyan and two 12-unit apartment buildings in Yigo named Guma As-Atdas.

In January 2013, the monthly rent for the Lada Gardens increased to \$650 for the 4 bedroom units, \$575 for the 3 bedroom units, and \$525 for the 2 bedrooms units.

GHC continued to increase its affordable housing inventory as P.L. 31-215 was enacted. This law provided GHC an additional 10 single family units for rent from the Department of Land Management (DLM). The Sagan Linahyan Renovation Project provided Department of Housing and Urban Development funded renovations through Guam Housing and Urban Renewal Authority (GHURA), for 10 abandoned units at a cost of approximately \$650,000. The Renovation Project was completed in October 2012. Due to the source of funding for the rehabilitation of these units, the proposed tenants must meet the established income limits. Additionally, GHC has provided a housing unit for a community outreach program through non-profit Community Services Resources, Inc. for neighborhood revitalization.

Guam Housing Corporation  
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

September 30, 2013

**A. About the Corporation, continued**

*Lada Estates Affordable Housing*

Through P.L. 20-225, 46 acres of land was transferred to the Corporation from the Government of Guam with the mandate to develop affordable housing units for sale to first-time home buyers. Lada Estates, as it became known, was intended as a two-phase turnkey project. Subsequent economic conditions prevented the completion of the project. In 2004, Maeda Pacific Corporation (MPC) brought suit against GHC. At the recommendation of our independent auditors and due to the state the property was in, an adjustment was made to decrease the value of the property recorded in the financial statement. In fiscal year 2010 an impairment loss of \$5.2 million was recorded as a prior year adjustment and in fiscal year 2011, an additional impairment loss of approximately \$392,000 was recorded. On January 6, 2012, the courts approved the settlement between GHC and MPC. As a result of the settlement, both Land Held for Development and Accounts Payable were decreased by \$10,555,000 in fiscal year 2012.

Provisions indicated in the settlement agreement stipulate the continued use of the land for affordable housing development of the proposed 399 units for lease or purchase, within a six (6) year timeline. On March 21, 2012, P.L. 31-195 was enacted approving the transfer of the Lada Estates property from the GHC to MPC. Subsequent to the settlement between GHC and MPC, the ownership has changed to another developer, who has commenced the construction of some units.

Guam Housing Corporation  
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

September 30, 2013

**B. Overview of the Financial Statements**

The discussion and analysis is intended to serve as an introduction to the Corporation's basic financial statements. The Corporation's basic financial statements are comprised of two components: 1) Corporation-wide financial statements and 2) notes to the financial statements.

The Corporation utilizes the flow of economic resources measurement focus. Its financial statements are prepared in accordance with accounting principles generally accepted in the United States as applied to governmental units using the accrual basis of accounting. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting requires that proprietary activities apply all applicable GASB pronouncements as well as Statements and Interpretations issued by the Financial Accounting Standards Board (FASB), Accounting Principle Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

The *Statements of Net Position* present information on all of the Corporation's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net positions may serve as a useful indicator of whether the financial position of the Corporation is improving or deteriorating.

The *Statements of Revenues, Expenses and Changes in Net Position* present information showing how the Corporation's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., loan origination fees and costs, depreciation, and earned but unused vacation leave).

The *Statements of Cash Flows* provide information about the Corporation's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities.

The Corporation-wide financial statements report on the function of the Corporation that is principally supported by intergovernmental revenues. The Corporation's function is to help first-time homeowner individuals and families secure mortgage financing who cannot otherwise qualify as borrowers through other conventional financing means and provide and administer low-cost housing rental projects. The Corporation-wide financial statements of the Corporation can be found on pages 24 through 59 of this report.

Guam Housing Corporation  
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

September 30, 2013

**B. Overview of the Financial Statements, continued**

A condensed summary of the Corporation's statements of net position at September 30, 2013, 2012 and 2011 is shown below.

Statements of Net Position  
September 30, 2013, 2012 and 2011

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Cash and investments	\$11,022,168	\$12,374,522	\$13,462,207
Loans receivable, other receivables, prepaid expenses and inventory	30,707,314	29,854,893	30,189,179
Land held for development	---	---	10,555,000
Foreclosed assets held for resale	399,949	394,364	247,691
Capital assets	<u>6,696,232</u>	<u>6,271,046</u>	<u>5,771,930</u>
 Total assets	 <u>48,825,663</u>	 <u>48,894,825</u>	 <u>60,226,007</u>
 Accounts payable and accrued expenses	 1,619,521	 525,909	 11,130,033
Notes payable	1,119,469	2,267,289	3,343,170
 Deposits by borrowers and security deposits	 498,970	 532,262	 517,190
Bonds payable	4,565,000	4,710,000	4,850,000
Loans held in trust	<u>290,693</u>	<u>370,178</u>	<u>397,634</u>
 Total liabilities	 <u>8,093,653</u>	 <u>8,405,638</u>	 <u>20,238,027</u>
 Investment in capital assets, net of related debt	 6,696,232	 6,271,046	 5,771,930
Restricted	7,521,752	8,694,060	9,738,655
Unrestricted	<u>26,514,026</u>	<u>25,524,081</u>	<u>24,477,395</u>
 Total net position	 <u>\$40,732,010</u>	 <u>\$40,489,187</u>	 <u>\$39,987,980</u>

Guam Housing Corporation  
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

September 30, 2013

Statements of Revenues, Expenditures and Changes in Net Position  
Fiscal years ended September 30, 2013, 2012 and 2011

	2013	2012	2011
Revenues	\$ 3,283,457	\$ 3,456,230	\$ 3,177,118
Expenses	3,040,634	2,955,023	3,177,324
Change in net position	242,823	501,207	( 206)
Total net position at beginning of year	40,489,187	39,987,980	39,988,186
Total net position at end of year	\$40,732,010	\$40,489,187	\$39,987,980

**C. Financials at a Glance**

GHC's loan portfolio consists of loans originated with GHC funds from the Direct Loan Program and the Revolving Loan Program. It is categorized in the Statements of Net Position under Loans receivable, net both unrestricted and restricted. Other receivables under the Statements of Net Position comprises all other loans (i.e., Down Payment and Closing Cost, Hazard Mitigation, and CAHAT). Other portfolio loans are not exclusively for first-time homeowners, but rather, they represent support programs that the agency has administered from time to time throughout the years.

GHC's loan portfolio has increased by \$655,237 to approximately \$31.5 million increasing 2.12% from the prior year. It was decided in October 2012 Board of Directors meeting to change the Direct Loan Program interest rate from the prevailing rate to 6.49%, based on its cost of funds. Due to the lack of funds available for loans under the Direct Loan Program and what is considered a high interest rate at this time, only six (6) loans totaling \$1.1 million were originated under this program. Seven (7) loans totaling \$1.05 million under the Revolving Loan Program was originated this fiscal year. Under the CAHAT Program, five (5) loans were originated totaling \$199,000. In fiscal year 2013, the Corporation had twenty-six (26) payoffs amounting to \$975,690 in comparison to the previous fiscal year of twenty-seven (27) totaling \$1.28 million.

Guam Housing Corporation  
(A Component Unit of the Government of Guam)

Management’s Discussion and Analysis, continued

September 30, 2013

**C. Financials at a Glance, continued**

GHC continues its marketing efforts to disseminate information relative to all its authorized programs, to include the First-time Homeowner Assistance Program (FTHAP). Although GHC is limited in its lending capital, it continued to conduct pre-qualification interviews in order to determine the need for affordable housing. At the end of fiscal year 2013, 353 applicants were determined to qualify for a mortgage. The Corporation estimates it would need a total of \$18.9 million for lending capital. Of those interviewed, nine applicants pursued their loan applications. A total of \$1,287,000 is required for these nine applicants. These applicants will continue facing challenges to find homes within their buying power.

In an attempt to further provide assistance to our clients, the Corporation entered into a partnership agreement with the USDA Rural Development to provide joint financing. With this new partnership, GHC holds a first lien position with a lower risk exposure to first-time homeowners. With the partnership, GHC and USDA Rural Development will be able to provide 100% financing.

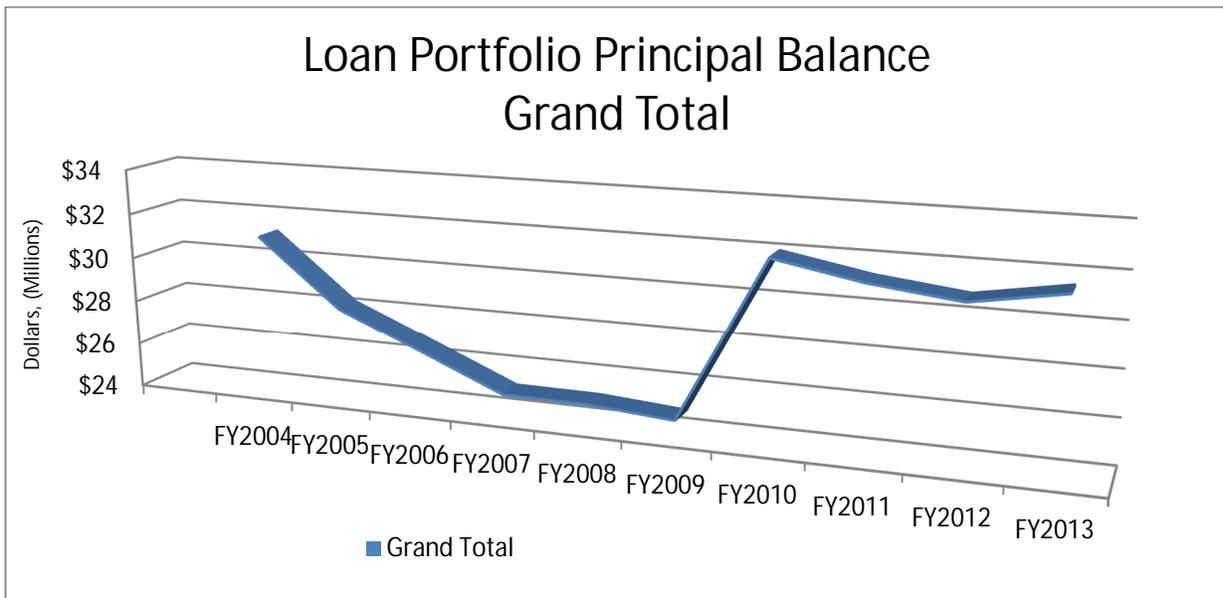
**D. Financial Highlights**

*Loan Portfolio Principial Balance*

FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013
\$31,175,230	\$28,185,870	\$26,632,726	\$25,053,953	\$25,027,686	\$24,749,566	\$31,977,839	\$31,281,306	\$30,844,159	\$31,499,395

Total Number of Loans

580	533	505	470	450	439	477	465	454	447
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Guam Housing Corporation  
(A Component Unit of the Government of Guam)

Management’s Discussion and Analysis, continued

September 30, 2013

**D. Financial Highlights, continued**

*Delinquency*

Although total delinquent loans 30 days and over increased by one (1) loan to sixty two (62) loans during the year, the total delinquent principal balance decreased by \$156,593 to \$4.45 million in fiscal year 2013. Overall, loans delinquent 30 days and over decreased from 15.11% in fiscal year 2012 to 14.25% in fiscal year 2013. Several borrowers come to GHC over the fiscal year to request for a payment plan to cure their delinquency due to medical treatments and loss of income.

GHC’s policy requires that all accounts past 90 days must be reviewed and referred to legal counsel for further proceedings, however, each account is reviewed by the Credit and Collection Committee to determine if a workout agreement to reduce the Corporation’s loss would be in the best interest of the Corporation rather than pursuing foreclosure. There are some cases in which the current market value of the secured property may be lower than the payoff thus the Corporation will realize a loss. If the borrower is committed and has demonstrated the ability to service the workout amount, we will authorize the workout. This, however, will not eliminate foreclosure should the borrower neglect to follow the approved payment arrangement.

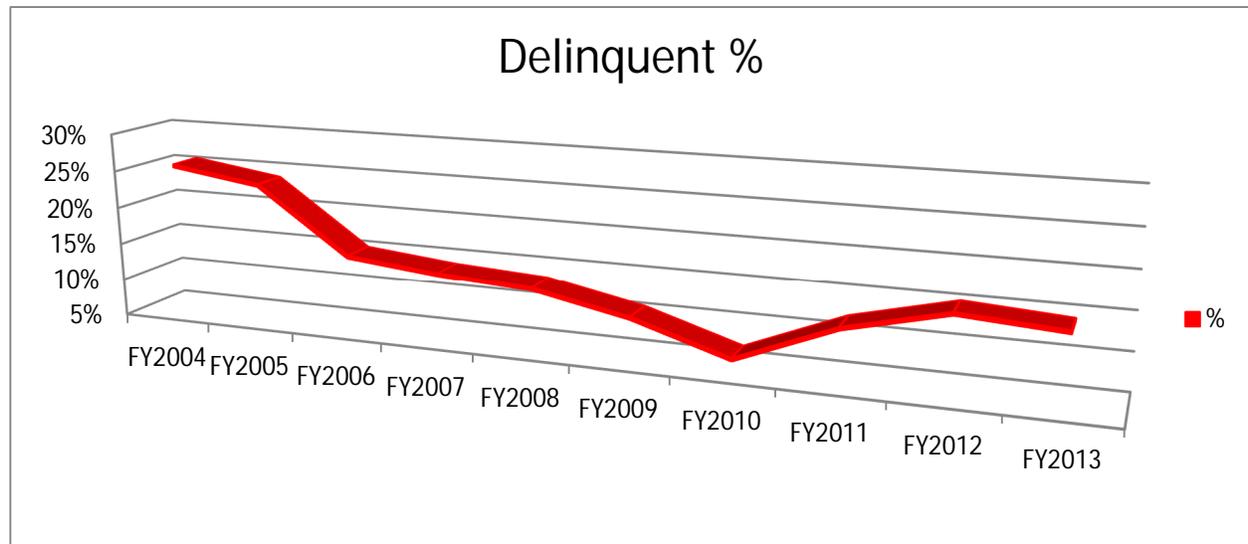
Delinquent %									
FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013
25.51%	23.74%	15.09%	13.86%	13.15%	10.61%	6.69%	11.97%	15.11%	14.25%

Principal Balance									
\$7,953,395	\$6,521,751	\$3,919,197	\$3,387,036	\$3,217,545	\$2,572,805	\$2,109,867	\$3,697,143	\$4,607,291	\$4,450,698

Total Number of Loans									
140	108	60	54	48	36	33	54	61	62



Guam Housing Corporation  
(A Component Unit of the Government of Guam)

Management’s Discussion and Analysis, continued

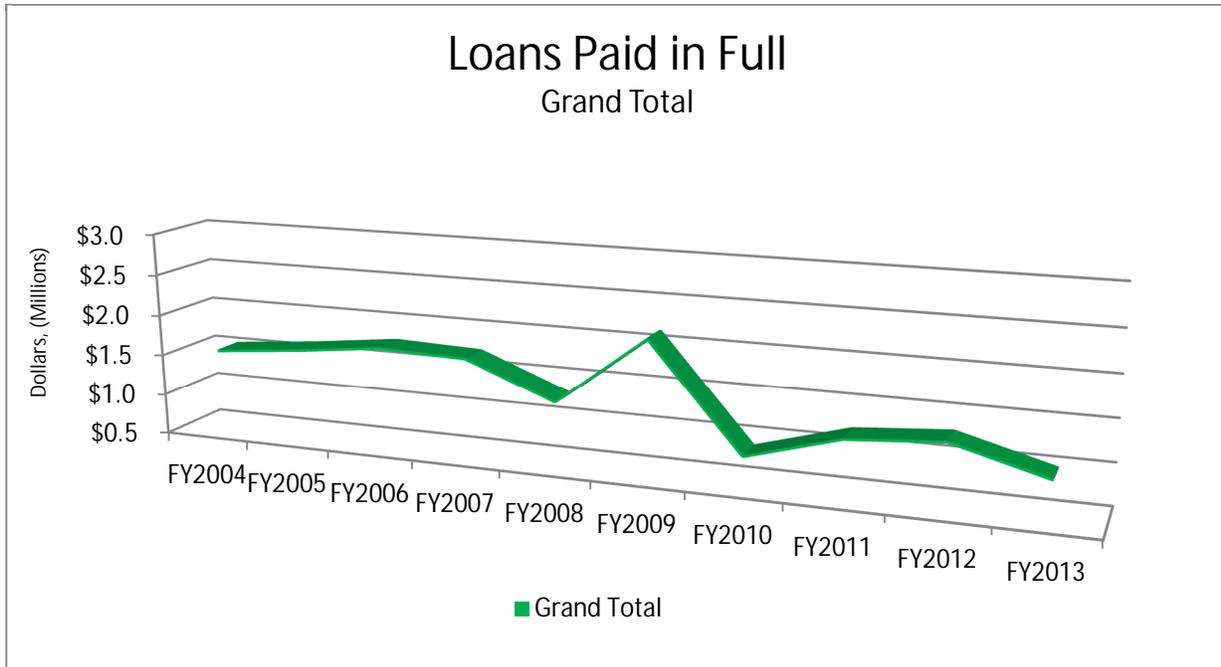
September 30, 2013

**D. Financial Highlights, continued**

*Loans Paid in Full*

Twenty-six (26) loans were paid in full in FY 2013 totaling \$975,690, a decrease of \$301,513 in comparison to prior year. The payoffs can be attributed in part to borrowers refinancing their mortgage at lower interest rates. Because these particular homeowners were no longer first-time home buyers, GHC could not provide financing for this purpose. Others were delinquent accounts who sought financing through other lenders. The following data and chart depicts the trend in loan payoffs over the past ten (10) years.

<u>FY2004</u>	<u>FY2005</u>	<u>FY2006</u>	<u>FY2007</u>	<u>FY2008</u>	<u>FY2009</u>	<u>FY2010</u>	<u>FY2011</u>	<u>FY2012</u>	<u>FY2013</u>
Grand Total									
\$1,525,515	\$1,624,036	\$1,747,437	\$1,712,039	\$1,290,394	\$2,135,099	\$869,455	\$1,189,265	\$1,277,203	\$975,690
Total Number of Loans									
52	44	49	56	41	39	25	25	27	26



Guam Housing Corporation  
(A Component Unit of the Government of Guam)

Management’s Discussion and Analysis, continued

September 30, 2013

**D. Financial Highlights, continued**

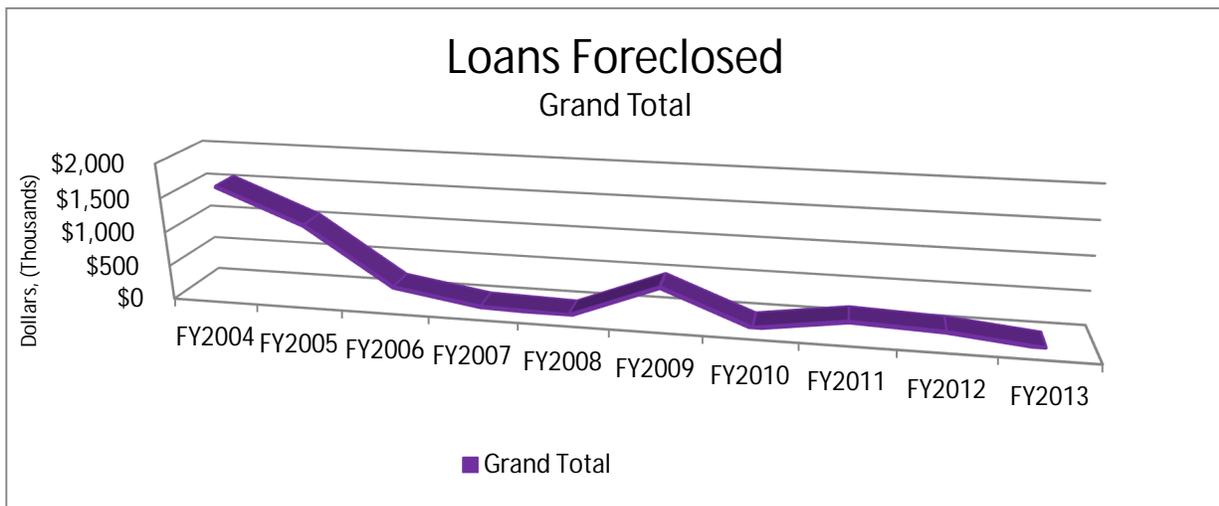
*Foreclosures and Other Real Estate Owned (OREO properties)*

GHC has been working closely with legal counsel to more effectively address serious delinquencies and work with the borrower to avoid foreclosure. There were no foreclosures in fiscal year 2013.

Foreclosed assets held for resale remain at five (5) properties totaling \$399,949 at the end of this fiscal year. GHC, even with the assistance of the Realtor, could not sell the properties without realizing a substantial loss thus there were no properties sold in fiscal year 2013.

With legal counsel firmly on track with the Collection Division on referrals for foreclosure, we fully expect that the process will continue to improve. Legal counsel has proven to be an effective partner in the Corporation’s efforts to clean up on non-performing assets. Maintenance and security of these units throughout the Territory of Guam has fallen to the Rental Division, which due to its limited staff, struggles to accommodate the additional workload and concerns of vandalism, theft, and generally the deterioration of the vacant properties.

	<u>FY2004</u>	<u>FY2005</u>	<u>FY2006</u>	<u>FY2007</u>	<u>FY2008</u>	<u>FY2009</u>	<u>FY2010</u>	<u>FY2011</u>	<u>FY2012</u>	<u>FY2013</u>
Principal Balance	\$1,589,852	\$1,087,763	\$240,849	\$35,047	\$ -	\$500,451	\$ -	\$183,741	\$132,614	\$ -
Total Number of Loans	14	11	3	1	0	5	0	2	1	0



Guam Housing Corporation  
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

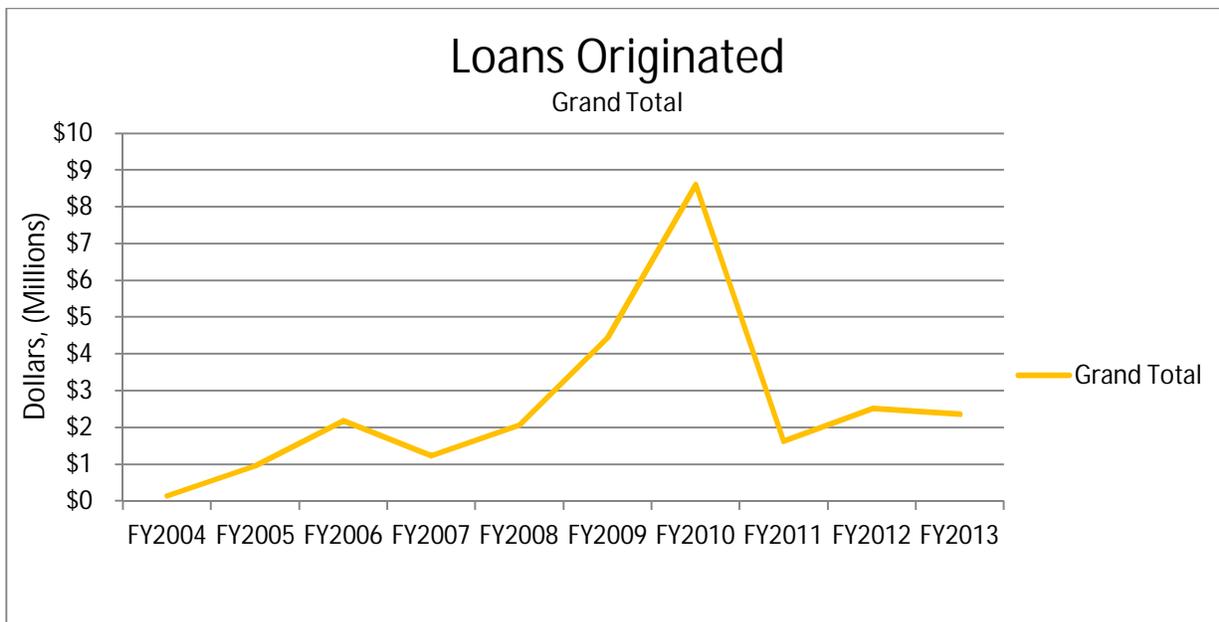
September 30, 2013

**D. Financial Highlights, continued**

*Loans Originated*

The following data and chart shows the amount of loans originated since fiscal 2004. In fiscal year 2004, GHC suspended loan origination because of typhoon recovery and full implementation of the Recovery Plan. There was a decrease in fiscal year 2007 which was in part attributable to limited housing supply within an affordable range. In the latter part of fiscal year 2008, the Board approved and adopted a provision allowing GHC's Management to adjust loan interest rates to reflect the current market rate, resulting in being able to assist more families. This is reflected in the chart below. As mentioned earlier, due to limited funds available for loans under the Direct Loan Program in fiscal year 2013 and the change of interest rate from the current market rate to 6.49%, only six (6) loans totaling \$1.1 million was originated under this program. Seven (7) loans totaling \$1.05 million under the Revolving Loan Program was originated this fiscal year. There were five (5) loans totaling \$199,000 originated under the CAHAT program in fiscal year 2013.

	<u>FY2004</u>	<u>FY2005</u>	<u>FY2006</u>	<u>FY2007</u>	<u>FY2008</u>	<u>FY2009</u>	<u>FY2010</u>	<u>FY2011</u>	<u>FY2012</u>	<u>FY2013</u>
Original Principal Balance	\$141,083	\$952,782	\$2,180,928	\$1,235,210	\$2,072,972	\$4,446,132	\$8,599,755	\$1,638,122	\$2,520,696	\$2,354,936
Total Number of Loans	2	11	36	17	18	40	62	15	18	18



**Guam Housing Corporation**  
(A Component Unit of the Government of Guam)

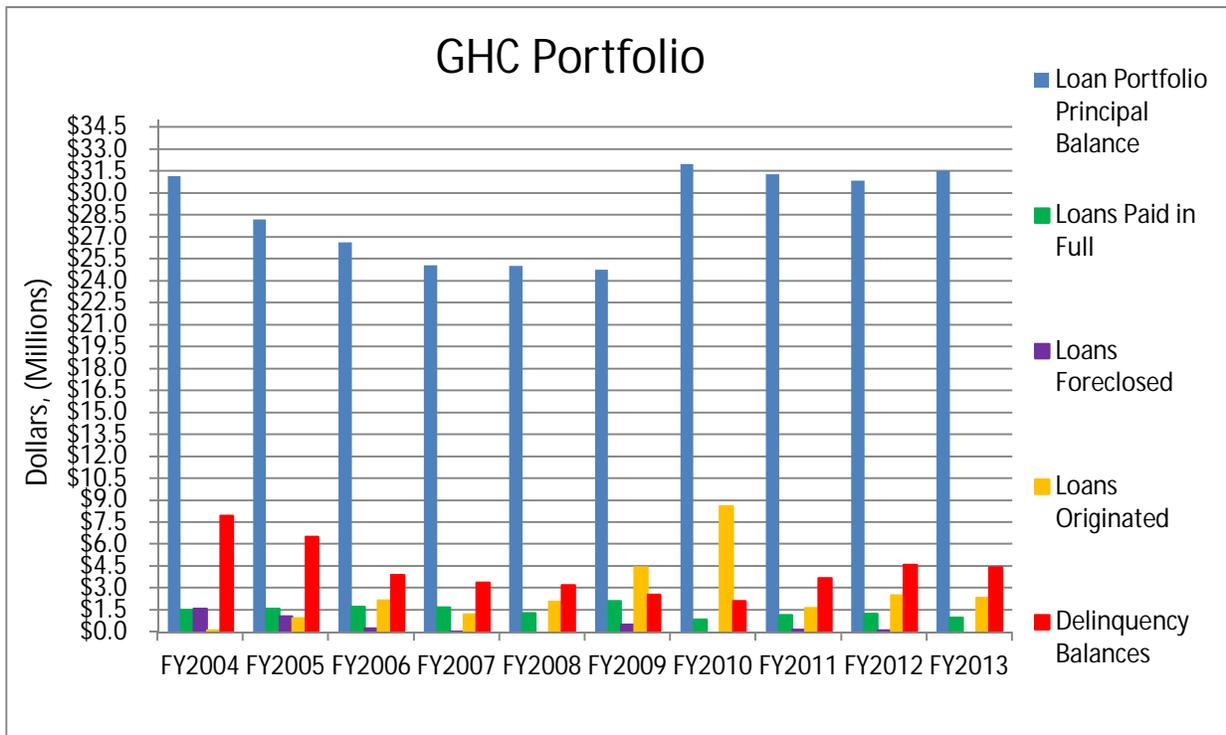
**Management's Discussion and Analysis, continued**

September 30, 2013

**D. Financial Highlights, continued**

*Overall Loan Portfolio*

FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013
Loan Portfolio Principal Balance									
\$31,175,230	\$28,185,870	\$26,632,726	\$25,053,953	\$25,027,686	\$24,749,566	\$31,977,839	\$31,281,306	\$30,844,159	\$31,499,395
Loans Paid in Full									
\$ 1,525,515	\$ 1,624,036	\$ 1,747,437	\$ 1,712,039	\$ 1,290,394	\$ 2,135,099	\$ 869,455	\$ 1,189,265	\$ 1,277,203	\$975,690
Loans Foreclosed									
\$ 1,589,852	\$ 1,087,763	\$ 240,849	\$ 35,047	\$ -	\$ 500,451	\$ -	\$ 183,741	\$ 132,614	\$ -
Loan Originated									
\$ 141,083	\$ 952,782	\$ 2,180,928	\$ 1,235,210	\$ 2,072,972	\$ 4,446,132	\$ 8,599,755	\$ 1,638,122	\$ 2,520,696	\$ 2,354,936
Delinquency Balance									
\$ 7,953,395	\$ 6,521,715	\$ 3,919,197	\$ 3,387,036	\$ 3,217,545	\$ 2,572,805	\$ 2,109,867	\$ 3,697,143	\$ 4,607,291	\$ 4,450,698



Guam Housing Corporation  
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Management's Discussion and Analysis, continued

September 30, 2013

**D. Financial Highlights, continued**

*Allowance for Loan Losses (ALL)*

During the February 7, 2013 board meeting, the Board of Directors made an adjustment to the policy for the ALL. The Board reduced the ALL from 3% to 2% of the total gross loan portfolio. As a result, the ALL was reduced by \$309,326 to \$629,988 in fiscal year 2013.

*Allowance for Legal Uncollectible*

In fiscal year 2013, an Allowance for Legal Uncollectible was established totaling \$29,685. The establishment of the Allowance reduced Unrestricted Other Receivable from \$22,859 in fiscal year 2012 to \$142 in FY 2013.

*Capital Assets*

Capital Assets increased by \$425,186 or 6.78% from \$6,271,046 in fiscal year 2012 to \$6,696,232 in fiscal year 2013. In fiscal year 2013, GHURA, using federal money, had the ten (10) Sagan Linahyan units renovated which increased the value by \$497,500. Also, there were a couple of Lada Garden units being renovated during fiscal year 2013 totaling \$66,676 and two (2) 20-foot Containers were purchased at the value of \$11,400. These additions totaled \$575,576 and were offset by depreciation amounting to \$149,711 and the disposal of assets totaling \$679.

*Restricted Accounts Payables*

On June 13, 2013, in accordance with P.L.32-036, the Department of Administration transferred to GHC \$1.2 million for the FTHAP. Due to the conditions of the transfer, the amount received was placed under a restricted payable. During fiscal year 2013, \$243,058 was disbursed to thirty-four (34) first-time homeowners. The balance at the end of fiscal year 2013 was \$985,713.

*Debt Service*

Notes Payable decreased by \$1,147,820 from \$2,267,289 in fiscal year 2012 to \$1,119,469 in fiscal year 2013. GHC continues to honor its monthly debt service obligations to its sole creditor, FHLB at an interest rate of 6.49% per annum. This note is on schedule to be fully amortized by the end of fiscal year 2014. For more details on the note payable to FHLB see Note 10 of the financial statements.

Guam Housing Corporation  
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Management's Discussion and Analysis, continued

September 30, 2013

**D. Financial Highlights, continued**

*Debt Service, continued*

Bonds Payable decreased by \$145,000 or 3.08% from \$4,710,000 in fiscal year 2012 to \$4,565,000 in fiscal year 2013. The Mortgage Revenue Bond (MRB) payments are made semi-annually on March 1 and September 1 of each year at interest rates ranging from 4.45% to 5.75% per annum. The payment for the MRB began September 1, 1998 and matures September 1, 2031. For more details on the MRB see Note 9 of the financial statements.

*Rebate Liability*

Rebate Liability increased by \$1,872 or 2.85% from \$65,566 in fiscal year 2012 to \$67,438 in fiscal year 2013. Interest on the MRB investment in excess of 5.229417% is due to the federal government and is recorded as Rebate Liability. Analysis on the interest earned on the MRB investments are made and adjusted monthly to the Rebate Liability. An Interim Arbitrage Rebate Report is done annually by Orrick, Herrington & Sucliffe LLP as of March 1 of each year. The Rebate Liability is adjusted to the Orrick report each year. The increase in fiscal year 2013 is due to the balance based on the Orrick report. For more details on the Rebate Liability see Note 9 of the financial statements.

*Interest on Loans Receivable*

Interest on Loans Receivable, net of loan origination, decreased by \$61,272 or 3.47% in fiscal year 2013. The weighted average interest rate on loans decreased from 6.10% in fiscal year 2012 to 5.85% in fiscal year 2013.

*Interest on Investment Held by Bond Trustees*

Interest on Investment Held by Bond Trustees decreased by \$44,214 or 36.76% in fiscal year 2013. The market value for these funds decreased in fiscal year 2013.

*Interest Income on Bank Deposit*

Interest Income on Bank Deposit decreased by \$6,638 or 29.76% from \$22,304 in fiscal year 2012 to \$15,666 in fiscal year 2013. The decrease in income is due to the decrease in cash. The total amount of cash and cash equivalents at the end of fiscal years 2013 and 2012 were \$6,948,391 and \$7,963,712, respectively.

*Interest Expense*

Interest Expense decreased by \$79,925 or 17.99%. The decrease is due to the decrease in principal balance of the notes and bonds payable.

Guam Housing Corporation  
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Management's Discussion and Analysis, continued

September 30, 2013

**D. Financial Highlights, continued**

*Rental Income*

Rental Income increased in fiscal year 2013 by \$59,263 or 6.91%. Effective January 2013, Lada Garden's two (2) and three (3) bedroom monthly rental units increased by \$25 and the 4 bedrooms increased by \$50. Also some of the Sagan Linahyan units began to be rented out in fiscal year 2013.

*Reversal of Loan Losses*

In fiscal year 2013, the ALL reserve was lowered from 3% to 2% of the total loan portfolio. An adjustment of \$279,641 was credited to Reversal of Loan Losses due to the decrease of the ALL reserve by \$309,326 less the establishment of the Allowance for Legal Uncollectible of \$29,685.

*Other Income*

Other Income decreased by \$111,820 or 16.92% from \$660,760 in fiscal year 2012 to \$548,940 in fiscal year 2013. In fiscal year 2012, ten (10) Sagan Linahyan units were transferred to GHC from DLM. The appraised value of \$601,000 was recorded under Other Income. In fiscal year 2013, the ten (10) Sagan units were renovated by GHURA which increased the appraised value of the buildings by \$497,500. This increase was also recorded under Other Income.

*Salaries*

Salaries increased by \$100,366 or 8.45% from \$1,187,768 in fiscal year 2012 to \$1,288,134 in fiscal year 2013. Merit awards were paid out to former employees totaling \$29,066. The increase is also attributed to increments and merit earned in fiscal year 2013 and less annual leave taken in fiscal year 2013 compared to fiscal year 2012.

*Retirement and Medicare Contributions*

Retirement and Medicare contributions increased by \$31,585 or 8.77% an increase from \$360,050 in fiscal year 2012 to \$391,635 in fiscal year 2013. The increase is due to the increase in salaries and the increase in the rate of contribution from 28.30% in fiscal year 2012 to 30.09% in fiscal year 2013.

*Retiree Supplemental and Health Benefits*

Retiree Supplemental and Health Benefits decreased by \$3,679 or 2.20% from \$167,596 in fiscal year 2012 to \$163,917 in fiscal year 2013. The decrease is due to one retiree changing insurance from a Class 2 to a Class 1 in fiscal year 2013.

Guam Housing Corporation  
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Management's Discussion and Analysis, continued

September 30, 2013

**D. Financial Highlights, continued**

*Employee Benefits Other Than Retirement*

Employee Benefits increased by \$3,746 or 6.78% from \$55,272 in fiscal year 2012 to \$59,018 in fiscal year 2013. The increase is attributed to the increase in the number of employees opting for medical insurance in fiscal year 2013.

*Rent Expense*

Rent Expense increased by \$4,913 in fiscal year 2013. The increase is due to GHC reserving five (5) additional parking spaces effective October 2012 despite the decrease in office space effective August 19, 2013. Office space leased by GHC went from 4,852 sq. ft. to 4,156 sq. ft.

*Contractual Expense*

Contractual Expense increased by \$6,963 or 7.17%. The increase is due to the increase in fuel, building and liability insurance in fiscal year 2013.

*Professional Services*

Professional Services increased by \$67,091 or 72.43% from \$92,629 in fiscal year 2012 to \$159,720 in fiscal year 2013. GHURA was given \$100,000 last fiscal year to conduct a Housing Study to see if it is feasible to build more apartment or housing units at the As Atdas site. As of September 2013, \$83,438 was expended by GHURA for the Housing Study. Legal expense decreased by \$13,063 in fiscal year 2013.

*Maintenance Expense*

Maintenance Expense decreased by \$5,617 or 11.65% from \$48,205 in fiscal year 2012 to \$42,588 in fiscal year 2013. Due to the major renovations in fiscal year 2013, materials purchased were capitalized.

*FTHAP Expense*

FTHAP Expense increased by \$249,593 from \$107,513 in fiscal year 2012 to \$357,106 in fiscal year 2013. P.L. 31-166 was signed into law requiring GHC to fund the initial seed for the FTHAP. The \$357,106 was disbursed using GHC's operating funds for fifty (50) first-time homeowners.

Guam Housing Corporation  
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Management's Discussion and Analysis, continued

September 30, 2013

**D. Financial Highlights, continued**

*Bad Debts*

Bad Debts decreased by \$1,148 in fiscal year 2013 from \$35,041 in fiscal year 2012 to \$33,893 in fiscal year 2013. The rental balance due for evicted tenants in fiscal year 2013 was less than the rental balance due for evicted tenants in fiscal year 2012. The accounts of the evicted tenants have been processed and submitted to Small Claims Court.

*Other Expense*

Other Expense decreased by \$8,687 or 15.71% in fiscal year 2013. The decrease is due to the decrease in travel expenses in fiscal year 2013.

**E. Future Events**

GHC continues to meet its mission with limited challenges. GHC's most apparent challenge is the ability to secure lending capital at affordable rates. GHC has made many strides in educating both the executive and legislative branches with respect to the "Trust Fund" initiative which addresses the funding of various programs and projects. The result of GHC's efforts is once again evident with the passage of Bill 79-32 by the legislature with a unanimous vote and signed by the Governor into law. This is another step forward.

GHC continues its pursuit of Governor Eddie Baza Calvo's Affordable Housing Initiatives. As the lead agency in the Affordable Housing Coordinating Council (AHCC), GHC provides direction, cooperation, coordination and leveraging of federal agencies, programs, and grants, with Government of Guam agencies, and the participation and investment of the private industry. With these efforts, the "Guamanian Dream" of homeownership for the people of Guam has become a reality for many, and an opportunity for many more in the future.

GHC has established the following goals to complete in 2014:

1. Pursue and promote alternative building materials, structure, and design to lessen the cost of constructing safe, sanitary, and very affordable, low cost housing.
2. Ongoing coordination with partnering Government of Guam agencies (DLM, CLTC, GALC) to provide available and developable land to recipients that qualify for homeownership financing and programs (VA, USDA, SUTA).
3. Continued work with GHURA and federal agencies with funding sources and layering of grants and programs in development of affordable housing.

Guam Housing Corporation  
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Management's Discussion and Analysis, continued

September 30, 2013

**E. Future Events, continued**

4. Statutory authority to finance the building of new homes by funding "Housing Trust Fund" for GHC programs and initiatives (i.e., FTHAP and CAHAT loan program).
5. Sagan Linahyan – Development of 59 unused lots with available infrastructure for affordable housing (rental and home ownership).
6. Continued support of the annual Guam Affordable Housing Symposium, its members, agencies (local and federal) and industries in the promotion and development of affordable housing for all the people of Guam and the Guamanian Dream of homeownership.

The Corporation is cognizant of the lack of inventory of affordable homes. It will continue addressing this issue with its partners of the AHCC for possible solutions.

**F. Contacting the Corporation's Financial Management**

The Management's Discussion and Analysis report is intended to provide information concerning known facts and conditions affecting the Corporation's operations. This financial report is designed to provide a general overview of the Corporation's finances and demonstrate its ability to manage its resources. For additional information concerning this report, please contact the President of Guam Housing Corporation, at 590 S. Marine Corps Drive, Suite 514 ITC Building, Tamuning, Guam 96931 or visit the website at [www.guamhousing.org](http://www.guamhousing.org).

Guam Housing Corporation  
(A Component Unit of the Government of Guam)

Statements of Net Position

	September 30,	
	<u>2013</u>	<u>2012</u>
<b>Assets</b>		
Unrestricted assets:		
Cash and cash equivalents ( <i>Notes 2 and 3</i> )	\$ 3,417,784	\$ 4,329,823
Self-insurance fund ( <i>Notes 2, 3 and 12</i> )	889,644	804,286
Loans receivable, net ( <i>Notes 2 and 4</i> )	22,145,492	20,115,959
Tenants receivable, net ( <i>Notes 2 and 6</i> )	40,197	40,330
Other receivables ( <i>Notes 2 and 5</i> )	142	22,859
Accrued interest receivable ( <i>Note 9</i> )	77,549	89,442
Prepaid expenses and other	82,624	153,608
Foreclosed assets held for resale ( <i>Note 8</i> )	<u>399,949</u>	<u>394,364</u>
Total unrestricted assets	<u>27,053,381</u>	<u>25,950,671</u>
Restricted assets:		
Cash and cash equivalents ( <i>Notes 2 and 3</i> )	2,140,716	2,329,435
Investments ( <i>Notes 2, 3 and 9</i> )	4,574,024	4,910,978
Loans receivable, net ( <i>Notes 2, 4 and 10</i> )	6,175,793	7,244,507
Other receivables ( <i>Notes 2 and 5</i> )	<u>2,185,517</u>	<u>2,188,188</u>
Total restricted assets	<u>15,076,050</u>	<u>16,673,108</u>
Capital assets, net ( <i>Note 7</i> )	<u>6,696,232</u>	<u>6,271,046</u>
Total assets	<u>48,825,663</u>	<u>48,894,825</u>

See accompanying notes.

Guam Housing Corporation  
(A Component Unit of the Government of Guam)

Statements of Net Position, continued

	September 30,	
	2013	2012
<b>Liabilities</b>		
Payable from unrestricted assets:		
Accounts payable and accrued expenses	194,488	115,020
Accrued compensated absences ( <i>Note 11</i> )	302,158	260,129
Unearned revenue	42,709	51,441
Total payable from unrestricted assets	539,355	426,590
Payable from restricted assets:		
Accounts payable ( <i>Note 3</i> )	985,713	---
Bonds payable ( <i>Note 9</i> )	4,565,000	4,710,000
Notes payable ( <i>Note 10</i> )	1,119,469	2,267,289
Accrued interest payable ( <i>Notes 9 and 10</i> )	27,015	33,753
Security deposits	61,713	59,265
Deposits by borrowers - insurance premiums and real estate taxes	437,257	472,997
Loans held in trust ( <i>Note 5</i> )	290,693	370,178
Rebate liability ( <i>Note 9</i> )	67,438	65,566
Total payable from restricted assets	7,554,298	7,979,048
Total liabilities	8,093,653	8,405,638
Commitments and contingencies ( <i>Note 12</i> )		
<b>Net position</b>		
Investment in capital assets, net of related debt	6,696,232	6,271,046
Restricted	7,521,752	8,694,060
Unrestricted	26,514,026	25,524,081
Total net position	\$40,732,010	\$40,489,187

See accompanying notes.

Guam Housing Corporation  
(A Component Unit of the Government of Guam)

Statements of Revenues, Expenses and Changes in Net Position

	Year ended September 30,	
	<u>2013</u>	<u>2012</u>
Interest income:		
Loans receivable	\$ 1,702,771	\$ 1,764,043
Investments held by bond trustees	76,068	120,282
Interest-bearing deposits	<u>15,666</u>	<u>22,304</u>
Total interest income	1,794,505	1,906,629
Interest expense on borrowings ( <i>Notes 9 and 10</i> )	<u>364,452</u>	<u>444,377</u>
Net interest income	1,430,053	1,462,252
Reversal of loan losses ( <i>Note 4</i> )	<u>279,641</u>	<u>---</u>
Net interest income after reversal of loan losses	1,709,694	1,462,252
Other income:		
Rental income	917,351	858,088
Sundry ( <i>Note 7</i> )	<u>548,940</u>	<u>660,760</u>
	<u>3,175,985</u>	<u>2,981,100</u>
Other expenses:		
Salaries ( <i>Note 12</i> )	1,288,134	1,187,768
Retirement and Medicare contributions ( <i>Notes 11 and 12</i> )	391,635	360,050
First-time Homeowner Assistance Program ( <i>Note 3</i> )	357,106	107,513
Retiree supplemental and health benefits ( <i>Note 11</i> )	163,917	167,596
Professional services ( <i>Note 12</i> )	159,720	92,629
Depreciation and amortization ( <i>Note 7</i> )	149,711	141,172
Rent ( <i>Note 12</i> )	120,032	115,119
Contractual services	104,132	97,169
Employee benefits, other than retirement	59,018	55,272
Other	46,624	55,311
Maintenance	42,588	48,205
Bad debts	33,893	35,041
Bond trustee fees	14,602	14,398
Director fees	<u>2,050</u>	<u>2,650</u>
Total other expenses	<u>2,933,162</u>	<u>2,479,893</u>
Change in net position	242,823	501,207
Net position at beginning of year	<u>40,489,187</u>	<u>39,987,980</u>
Net position at end of year	<u>\$40,732,010</u>	<u>\$40,489,187</u>

See accompanying notes.

Guam Housing Corporation  
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Statements of Cash Flows

	Year ended September 30,	
	<u>2013</u>	<u>2012</u>
<b>Cash flows from operating activities:</b>		
Receipts received from customers	\$1,446,800	\$2,740,587
Payments to suppliers	( 322,644)	( 563,077)
Payments to employees	(1,862,725)	(1,758,189)
Other operating receipts	<u>1,055,267</u>	<u>90,505</u>
Net cash provided by operating activities	<u>316,698</u>	<u>509,826</u>
<b>Cash flows from investing activities:</b>		
Decrease in investments	336,954	316,352
Interest received on cash and investments with trustees	76,068	120,282
Improvements in foreclosed assets held for resale	<u>( 5,585)</u>	<u>---</u>
Net cash provided by investing activities	<u>407,437</u>	<u>436,634</u>
<b>Cash flows from noncapital financing activities:</b>		
Repayment of bonds payable	( 145,000)	( 140,000)
Repayment of notes payable	(1,147,820)	(1,075,881)
Increase (decrease) of rebate liability	1,872	( 11,919)
Interest paid on bonds payable	( 257,671)	( 264,967)
Interest paid on notes payable	( 113,519)	( 185,738)
(Increase) decrease in self-insurance fund	<u>( 85,358)</u>	<u>663,122</u>
Net cash used in noncapital financing activities	<u>(1,747,496)</u>	<u>(1,015,383)</u>
<b>Cash flows from capital and related financing activity -     acquisition of capital assets</b>	<u>( 77,397)</u>	<u>( 39,288)</u>
Net decrease in cash and cash equivalents	(1,100,758)	( 108,211)
Cash and cash equivalents at beginning of year	<u>6,659,258</u>	<u>6,767,469</u>
Cash and cash equivalents at end of year	<u>\$5,558,500</u>	<u>\$6,659,258</u>
<b>Consisting of:</b>		
Unrestricted	\$3,417,784	\$4,329,823
Restricted	<u>2,140,716</u>	<u>2,329,435</u>
	<u>\$5,558,500</u>	<u>\$6,659,258</u>

*See accompanying notes.*

Guam Housing Corporation  
(A Component Unit of the Government of Guam)

Statements of Cash Flows, continued

	Year ended September 30,	
	<u>2013</u>	<u>2012</u>
<b>Reconciliation of change in net position to net cash provided by operating activities:</b>		
Change in net position	\$ 242,823	\$ 501,207
Interest expense on borrowings	364,452	444,377
Nonexchange transfer of property	( 497,500)	(601,000)
Interest income on investments held by bond trustees	<u>( 76,068)</u>	<u>(120,282)</u>
	33,707	224,302
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	149,711	141,172
Bad debts	33,893	35,041
Reversal of loan losses	( 279,641)	---
(Increase) decrease in assets:		
Loans receivable, net	( 681,178)	242,665
Tenants receivable, net	( 33,760)	( 21,837)
Other receivables	25,388	41,693
Accrued interest receivable	11,893	( 5,193)
Prepaid expenses and other assets	70,984	(104,756)
(Decrease) increase in liabilities:		
Accounts payable and accrued expenses	1,065,181	( 49,888)
Accrued compensated absences	42,029	15,147
Unearned revenue	( 8,732)	3,864
Security deposits	2,448	8,441
Deposits by borrowers - insurance premiums and real estate taxes	( 35,740)	6,631
Loans held in trust	<u>( 79,485)</u>	<u>( 27,456)</u>
Net cash provided by operating activities	\$ <u>316,698</u>	\$ <u>509,826</u>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for interest expense during the year	\$ <u>371,190</u>	\$ <u>450,705</u>

See accompanying notes.

Guam Housing Corporation  
(A Component Unit of the Government of Guam)

Statements of Cash Flows, continued

**Supplemental Disclosure of Non-Cash Investing and Capital Activities**

During 2012, loans and accrued interest receivable with carrying amount of \$144,806 were converted to foreclosed assets held for resale.

In 2012, in accordance with P.L. 31-215, ten (10) abandoned properties located within the Sagan Linahyan Subdivision in Dededo were transferred from the DLM to the Corporation for purpose of providing affordable rental housing. The fair value of the aforementioned land and its improvements totaled \$601,000.

In 2013, the fair value of the ten (10) properties located within the Sagan Linahyan Subdivision in Dededo increased by \$497,500 due to renovations paid by GHURA and was recorded as an addition to Capital assets.

Guam Housing Corporation  
(A Component Unit of the Government of Guam)

Notes to Financial Statements

Years ended September 30, 2013 and 2012

**1. Organization and Summary of Significant Accounting Policies**

**Organization**

Guam Housing Corporation (the Corporation), a component unit of the Government of Guam (GovGuam) was created by Public Law 8-80 to promote the general welfare of the Territory of Guam by encouraging investment in and development of low cost housing and providing low cost housing rental units. The Corporation provides for its operating needs by charging points and interest on its loans. As a governmental entity created by public law, the Corporation is not subject to taxes.

The Corporation consists of two divisions: housing division and rental division. The housing division is engaged in lending activities of the Corporation while the rental division is engaged in the rental of housing and apartment complexes known as Lada Gardens, Guma As-Atdas and Sagan Linahyan. During the normal course of operations, transactions have occurred between the housing and rental divisions of the Corporation. These receivables and payables are eliminated in the accompanying financial statements.

**Basis of Accounting**

The Corporation utilizes the flow of economic resources measurement focus. Its financial statements are prepared in accordance with accounting principles generally accepted in the United States as applied to governmental units using the accrual basis of accounting. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting* requires that proprietary activities apply all applicable GASB pronouncements as well as Statements and Interpretations issued by the Financial Accounting Standards Board (FASB), Accounting Principle Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

**Net Position**

Net position represents the residual of all other elements presented in the statement of financial position. It is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net position is presented in three components: net investment in capital assets, net of related debt, restricted and unrestricted.

Guam Housing Corporation  
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

**1. Organization and Summary of Significant Accounting Policies, continued**

**Net Position, continued**

Net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

**Cash and Cash Equivalents**

For purposes of the statements of net position and the statements of cash flows, cash and cash equivalents is defined as cash on hand, deposits in banks and time certificates of deposit.

**Loans Receivable**

The Corporation is permitted to make loans for the purchase, construction, or purchase of land and construction of homes not to exceed the loan limit established by the U.S. Department of Housing and Urban Development. Loan limits are currently \$271,050 for single-unit dwellings.

The Corporation accepts loan applications only for single-unit dwellings. Determination of loan interest rates is made by the Board of Directors of the Corporation, but does not exceed two percent (2%) of the cost of funds to the Corporation. During the October 2012 regular meeting of the Board of Directors, the current interest rate for the Regular Loan Program was changed to 6.49%. This action arises from Public Law 26-123 which states that the Board of Directors may adjust the rate of interest; however, it cannot assess a rate of interest greater than two (2) points over its cost of funds.

Guam Housing Corporation  
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

**1. Organization and Summary of Significant Accounting Policies, continued**

**Loans Receivable, continued**

Loans receivable are stated at principal amount outstanding less allowance for loan and lease losses and net deferred loan origination fees. Interest on receivables is accrued and credited to income based on the principal amount outstanding. The accrual of interest is discontinued when principal or interest payments are delinquent for 90 days or more, or when in the opinion of management, there is an indication that the borrower may be unable to meet payments as they come due. Upon such discontinuance, all unpaid interest is transferred to overdue receivables account. Unpaid accrued interest is not reversed. Instead, a specific allowance is provided to cover unpaid accrued interest. Principal is reduced only to the extent cash payments are received after the accrued interest is recovered. Income is subsequently recognized only to the extent cash payments are received and until, in management's opinion, the borrower's ability to make periodic interest and principal payments is back to normal, in which case the loan is returned to accrual status.

The allowance for loan and lease losses is maintained at a level, which in management's judgment is adequate to absorb credit losses inherent in the loan portfolio. The amount of the allowance is based on management's evaluation of the collectability of the loans receivable including the nature of the loan portfolio, estimated value of underlying collateral, credit concentration, trends in historical loss experience, specific delinquent loans, economic conditions, and other risks inherent in the portfolio. The allowance is increased by a provision for loan and lease losses, which is charged to expense and reduced by charge-offs (net of recoveries) and reversal of allowance. Because of the uncertainties inherent in the estimation process, management's estimate of credit losses in the loan portfolio and the related allowance may change in the near term. However, the amount of the change that is reasonably possible cannot be estimated.

**Tenants Receivable**

Tenants receivable are derived from monthly rents charged to tenants leasing rental units owned by the Corporation. The Corporation recognizes bad debts using the allowance method and are only written off after approval by management and subsequent reporting to the Board of Directors.

Guam Housing Corporation  
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Notes to Financial Statements, continued

**1. Organization and Summary of Significant Accounting Policies, continued**

**Loan Origination Fees and Related Costs**

Loan origination and commitment fees and certain direct origination costs are accounted for in accordance with FASB Accounting Standards Codification (ASC) 310-20, *Nonrefundable Fees and Other Costs*, and are deferred and amortized on a straight-line basis generally over the contractual life of the related loans. Differences between this method and the effective interest method are not significant and do not otherwise materially affect the accompanying financial statements. Amortization of deferred loan fees is reported as a component of interest income on loans receivable in the accompanying statements of revenues, expenses and changes in net position.

**Capital Assets**

Capital assets, whether purchased or constructed, are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

Depreciation and amortization of capital assets is computed using the straight-line method over estimated useful lives of 5 to 50 years for buildings and improvement, 2 to 10 years for vehicles and office furniture and equipment, and over the length of the lease term for leasehold improvements.

The Corporation generally capitalizes all expenditures for capital assets in excess of \$5,000 with a useful life exceeding one year. Major renewals and betterments are charged to the capital assets, while maintenance and repairs which do not improve or extend the life of an asset are charged to expense. The cost of capital assets retired or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts in the year of disposal with the resulting gain or loss credited or charged to other income or expenses, respectively.

**Impairment of Long-lived Assets**

Long-lived assets to be held and used or disposed of by the Corporation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

**Investments**

Investments are recorded at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale and is primarily determined based on quoted market values.

Guam Housing Corporation  
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Notes to Financial Statements, continued

**1. Organization and Summary of Significant Accounting Policies, continued**

**Compensated Absences**

In accordance with Public Law 27-005 and Public Law 28-068, employee vacation rates are credited at either 104, 156 or 208 hours per year, depending upon their length of service as follows:

1. One-half day (4 hours) for each full bi-weekly pay period in the case of employees with less than five (5) years of service.
2. Three-fourths day (6 hours) for each full bi-weekly pay period in the case of employees with five (5) years of service but less than fifteen (15) years of service.
3. One (1) day (8 hours) for each full bi-weekly pay period in the case of employees with fifteen (15) years or more service.

The statutes reduce the maximum accumulation of such vacation credits from 480 to 320 hours. Public Law 27-106 amended subsection (c) of 4 Guam Code Annotated §4109. Employees who have accumulated annual leave in excess of 320 hours as of February 28, 2003, may carry over their excess and shall use the excess amount of leave prior to retirement or termination from service. Any excess unused leave from February 28, 2003 shall be lost. Accrued annual leave up to 320 hours is converted to pay upon termination of employment.

**Environmental Costs**

Liabilities for future remediation and monitoring costs are recorded when environmental assessments and/or remedial and monitoring efforts are probable and the costs can be reasonably estimated. These liabilities are not reduced by possible recoveries from third parties, and projected cash expenditures are not discounted.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Significant estimates that are particularly susceptible to significant change relate to the determination of the allowance for loan and lease losses and the valuation of foreclosed real estate properties. In connection with the determination of the estimated losses on loan and foreclosed properties, management obtains independent appraisals for collaterals.

Guam Housing Corporation  
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Notes to Financial Statements, continued

**1. Organization and Summary of Significant Accounting Policies, continued**

**Estimates, continued**

The Corporation's loan portfolio consists of single-family residential loans in the Territory of Guam. Real estate prices in this market are also susceptible to fluctuation and speculation. Accordingly, the ultimate collectability of a substantial portion of the Corporation's loan portfolio and the recovery of the carrying amount of foreclosed real estate are susceptible to changes in local market conditions.

While management uses available information to recognize losses on loans receivable and foreclosed real estate, further reductions in the carrying amounts of loans receivable and foreclosed assets may be necessary based on changes in local economic conditions. Because of these factors, it is reasonably possible that the estimated losses on loans receivable and foreclosed real estate may change materially in the near term. However, the amount of the change that is reasonably possible cannot be estimated.

**Risk Management**

The Corporation is exposed to various risks of loss; theft of, damage to, and destruction of assets; employee injuries and illnesses; natural disasters and employee health, dental and accident benefits. Commercial insurance coverage is provided for claims arising from most of these matters.

**Recently Adopted Accounting Pronouncements**

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflow of resources. Deferred outflows is defined as the consumption of net assets by the government that is applicable to a future reporting period and deferred inflows is defined as the acquisition of net assets by the government that is applicable to a future reporting period. GASB Statement No. 63 also amends the net asset reporting requirement by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The provisions of this Statement are effective for financial statements for the periods beginning after December 15, 2011. The Corporation's adoption of GASB Statement No. 63 in 2013 resulted in a change in the presentation of the balance sheets to what is now referred to as the statements of net position and the term "net assets" was changed to "net position" throughout the financial statements.

Guam Housing Corporation  
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Notes to Financial Statements, continued

**1. Organization and Summary of Significant Accounting Policies, continued**

**Upcoming Accounting Pronouncements**

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective for periods beginning after December 15, 2012. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

In March 2012, GASB issued Statement No. 66, *Technical Corrections – 2012, an amendment of GASB Statements No. 10 and No. 62*, effective for periods beginning after December 15, 2012. This Statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. This Statement also amends Statement 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straightline basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate.

In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans, an amendment of GASB Statement No. 25*, effective for periods beginning after June 15, 2013. This Statement establishes financial reporting standards for state and local governmental pension plans, defined benefit pension plans and defined contribution pension plans, that are administered through trusts or equivalent arrangements that meet certain criteria.

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*, effective for periods beginning after June 15, 2014. This Statement establishes accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans that are covered by the scope of this Statement, as well as for nonemployer governments that have a legal obligation to contribute to those plans.

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*, effective for periods beginning after December 15, 2013. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combinations* includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations.

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Notes to Financial Statements, continued

**1. Organization and Summary of Significant Accounting Policies, continued**

**Upcoming Accounting Pronouncements, continued**

In April 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, effective for periods beginning after June 15, 2013. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2013. Earlier application is encouraged.

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to Measurement Date, an amendment of GASB Statement No. 68*. The provisions of this Statement should be applied simultaneously with the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The objective of this Statement is to improve accounting and financial reporting by addressing an issue in Statement No. 68 concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities.

The Corporation is currently evaluating the effects the above pronouncements may have on its financial statements.

**Subsequent Events**

The Corporation has evaluated subsequent events through February 14, 2014, which is the date the financial statements were available to be issued.

**2. Concentrations of Credit Risk**

Financial instruments which potentially subject the Corporation to concentrations of credit risk consist principally of cash deposits, investments and receivables.

The Corporation maintains cash in bank accounts, which at times may exceed federal depository insurance limits. At September 30, 2013 and 2012, \$250,000 of the Corporation's deposits in each bank is covered by federal depository insurance, with the remainder being uninsured and uncollateralized.

Substantially all of the Corporation's receivables are due from borrowers and tenants residing in the Territory of Guam. The Corporation maintains an allowance for loan and lease losses based on management's evaluation of potential uncollectibility. Concentration of credit risk with respect to receivables is limited due to the large number of customers comprising the Corporation's customer base.

Guam Housing Corporation  
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Notes to Financial Statements, continued

**3. Cash and Cash Equivalents, Self-Insurance Fund and Investments**

Cash and cash equivalents, self insurance fund, and investments at September 30, 2013 and 2012 consist of the following:

	<u>2013</u>	<u>2012</u>
Cash on hand and due from banks	\$ 4,770,228	\$ 5,819,068
Certificates of deposits	2,110,085	1,893,934
Money market funds	<u>4,141,855</u>	<u>4,661,520</u>
	<u>\$11,022,168</u>	<u>\$12,374,522</u>

Additionally, certain of the above cash and cash equivalents, and investments at September 30, 2013 and 2012 are restricted as follows:

	<u>2013</u>	<u>2012</u>
Restricted Cash and Cash Equivalents:		
First-time Homeowner Assistance Program (FTHAP)	\$1,021,080	\$ 391,931
Revolving Loan Fund	422,613	1,103,584
Trust fund and borrower's deposits	398,079	434,102
Hazard Mitigation Program	146,465	142,430
Tenant security deposits	84,669	75,700
Community Affordable Housing Action Trust (CAHAT)	<u>67,810</u>	<u>181,688</u>
Total restricted cash and cash equivalents	<u>2,140,716</u>	<u>2,329,435</u>
Restricted Investments:		
Investments and cash with Bond Trustees	4,073,777	4,410,810
Foreclosure Protection Fund	<u>500,247</u>	<u>500,168</u>
Total restricted investments	<u>4,574,024</u>	<u>4,910,978</u>
Total restricted cash, cash equivalents and investments	<u>\$6,714,740</u>	<u>\$7,240,413</u>

The restricted cash, cash equivalents and investments are restricted for specific uses from enabling Public Law 26-123, Public Law 31-166 and 12 GCA Chapter 4 §4209 for revolving loan fund and related trust funds, FTHAP and the CAHAT, respectively, the Mortgage Revenue Bonds and self-imposed restrictions on tenant security deposits for the Corporation's rental units.

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Notes to Financial Statements, continued

**3. Cash and Cash Equivalents, Self-Insurance Fund and Investments, continued**

In accordance with Public Law 31-227 signed into law on June 15, 2012, the Corporation established the FTHAP, which provides assistance of 4% of eligible loans up to \$250,000 based on program eligibility requirements. The Corporation financed the initial \$500,000 to fund the FTHAP.

In June 2013, the GovGuam, through the Department of Administration, transferred funds totaling \$1,228,771 to be administered by the Corporation for the FTHAP. The pass-through fund, which is recorded as a liability upon receipt, is reduced by the amount paid to qualifying applicants. As of September 30, 2013, the remaining balance of the fund amounted to \$985,713 and is reported as a component of restricted cash and restricted accounts payable in the accompanying 2013 statement of net position.

At September 30, 2013 and 2012, total funds available for the FTHAP amounted to \$1,021,080 and \$391,931, respectively, and are reported as a component of restricted cash and cash equivalents in the accompanying statements of net position. For the years ended September 30, 2013 and 2012, the Corporation provided assistance related to the program totaling \$357,106 and \$107,513, respectively, and is reflected as First-time Homeowner Assistance Program in the accompanying statements of revenues, expenses and changes in net position.

The Mortgage Revenue Bond Indenture requires the establishment of special funds and accounts to be held and administered by the Corporation's trustees for the accounting of the bond proceeds. At September 30, 2013 and 2012, investments and cash held by the trustees, in trust for the Corporation, in these funds and accounts are as follows:

	<u>2013</u>	<u>2012</u>
Revenue Fund	\$4,073,520	\$4,410,553
Capitalized Interest Fund	<u>257</u>	<u>257</u>
	<u>\$4,073,777</u>	<u>\$4,410,810</u>

The deposits and investment policies of the Corporation are governed by 5 GCA 21, *Investments and Deposits*, in conjunction with the applicable mortgage revenue bond indenture. Legally authorized investments include securities issued or guaranteed by the U.S. Treasury or agencies of the United States government; demand and time deposits in or certificates of, or bankers' acceptances issued by, any eligible financial institution; corporate debt obligations, including commercial paper; certain money market funds; state and local government securities, including municipal bonds; and repurchase and investment agreements. With the exception of investments in U.S. government securities, where explicitly guaranteed by the United States government, all other investments must be rated Aa1/P-1 by Moody's.

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Notes to Financial Statements, continued

**3. Cash and Cash Equivalents, Self-Insurance Fund and Investments, continued**

GASB Statement No. 3 previously required government entities to present investment risks in terms of whether the investments fell into the following categories:

- Category 1 Investments that are insured or registered, or securities held by the Corporation or its agent in the Corporation's name;
- Category 2 Investments that are uninsured and unregistered for which securities are held by the counterparty's trust department or agent in the Corporation's name; or
- Category 3 Investments that are uninsured and unregistered, with securities held by the counterparty's trust department or agent but not in the Corporation's name.

GASB Statement No. 40, *Deposit and Investment Risk Disclosures (an amendment of GASB Statement No. 3)*, in effect, eliminates disclosure for deposits falling into categories 1 and 2 and provides for disclosure requirements addressing other common risks of investments such as credit risk, interest rate risk, concentration of credit risk, and foreign currency risk. GASB Statement No. 40 did retain and expand the element of custodial risk in GASB Statement No. 3.

Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of debt instruments. In compliance with the bond indenture, the Corporation minimized the interest rate risk, by limiting maturity of investments. A majority of the Corporation's investment securities have maturities of 5 years or less. This reduces the impact of interest rate movements seen with longer maturity investments.

Concentration of risk for investments is the risk of loss attributable to the magnitude of an entity's investment in a single issuer. GASB Statement No. 40 requires disclosure by issuer and amount of investments in one issuer that represents five percent (5%) or more of total investments for the Corporation. In compliance with the mortgage revenue bond indenture, the Corporation minimized credit risk loss by limiting investments to the safest types of securities.

The Bank of New York Mellon manages the Corporation's investments by investing in U.S. Securities, U.S. Government Agencies, Money Market Funds and Certificates of Deposits insured by the Federal Deposit Insurance Corporation. The U.S. Securities are low risk investments as they are guaranteed by the full faith and credit of the U.S. government. While U.S. Government Agencies are not guaranteed, they are backed by the U.S. government and are recognized as low risk investments as well. All investment securities are within the requirement of the mortgage revenue bond indenture. As of September 30, 2013 and 2012, the Corporation's investments in the Federal Home Loan Mortgage Corporation represented 47%, and the Blackrock Liquidity T-Funds represented 42% of its total investments.

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Notes to Financial Statements, continued

**3. Cash and Cash Equivalents, Self-Insurance Fund and Investments, continued**

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to the transaction, the Corporation will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. Based on negotiated trust and custody contracts, all of these investments were held in the Corporation's name by the Corporation's custodial financial institutions at September 30, 2013 and 2012.

The Corporation's bond trustees hold the Corporation's restricted investments and cash at September 30, 2013 and 2012. Investments are stated at fair market value. The amortized cost and fair value of restricted investments at September 30, 2013 and 2012 are summarized as follows:

	2013		
	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Fair Value</u>
Collateralized mortgage obligation	\$1,967,992	\$175,766	\$2,143,758
Short-term investments	1,930,019	---	1,930,019
Certificate of deposit	<u>500,247</u>	<u>---</u>	<u>500,247</u>
	<u>\$4,398,258</u>	<u>\$175,766</u>	<u>\$4,574,024</u>
	2012		
	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Fair Value</u>
Collateralized mortgage obligation	\$2,117,084	\$213,267	\$2,330,351
Short-term investments	2,080,459	---	2,080,459
Certificate of deposit	<u>500,168</u>	<u>---</u>	<u>500,168</u>
	<u>\$4,697,711</u>	<u>\$213,267</u>	<u>\$4,910,978</u>

The bond funds have been classified as Category 2 investments and the bond reserve funds have been classified as Category 1 investments in accordance with GASB Statement No. 3.

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Notes to Financial Statements, continued

**3. Cash and Cash Equivalents, Self-Insurance Fund and Investments, continued**

At September 30, 2013 and 2012, the Corporation's investment in debt securities is as follows:

		2013				
		Investment Maturities (In Years)				
	Moody's Credit Rating	Less than 1	1 to 5	6 to 10	Greater than 10	Total
Certificate of deposit	A2/B2	\$ 500,247	---	---	---	\$ 500,247
Federal Home Loan Mortgage Corporation	Aaa	---	---	---	2,143,758	2,143,758
Blackrock Liquidity T-Fund	Aaa	<u>1,930,019</u>	---	---	---	<u>1,930,019</u>
		<u>\$2,430,266</u>	---	---	<u>2,143,758</u>	<u>\$4,574,024</u>
		2012				
		Investment Maturities (In Years)				
	Moody's Credit Rating	Less than 1	1 to 5	6 to 10	Greater than 10	Total
Certificate of deposit	Aaa	\$ 500,168	---	---	---	\$ 500,168
Federal Home Loan Mortgage Corporation	Aaa	---	---	---	2,330,351	2,330,351
Blackrock Liquidity T-Fund	Aaa	<u>2,080,459</u>	---	---	---	<u>2,080,459</u>
		<u>\$2,580,627</u>	---	---	<u>2,330,351</u>	<u>\$4,910,978</u>

The Corporation also maintains restricted investments for its Foreclosure Protection Fund. The Foreclosure Protection Fund is used by the Corporation to protect the interest of Guam's CAHAT program as holder of the second mortgage and is used exclusively for the purpose of paying off the first mortgage upon foreclosure. As of September 30, 2013 and 2012, the restricted investments for this fund totaled \$500,247 and \$500,168, respectively.

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Notes to Financial Statements, continued

**4. Loans Receivable**

At September 30, 2013 and 2012, loans receivable, collateralized by first mortgages on real estate, are as follows:

	<u>2013</u>	<u>2012</u>
Unrestricted	\$23,138,085	\$21,411,464
Restricted	<u>6,175,793</u>	<u>7,244,507</u>
	29,313,878	28,655,971
Less: Deferred loan origination fees, net	( 362,605)	( 356,191)
Allowance for loan and lease losses	<u>( 629,988)</u>	<u>( 939,314)</u>
	<u>\$28,321,285</u>	<u>\$27,360,466</u>

Movements in the allowance for loan and lease losses for the years ended September 30, 2013 and 2012 are as follows:

	<u>2013</u>	<u>2012</u>
Balance at beginning of year	\$939,314	\$959,239
Provision	29,685	---
Reversal of allowance during the year	(309,326)	---
Write-off during the year	<u>( 29,685)</u>	<u>( 19,925)</u>
Balance at end of year	<u>\$629,988</u>	<u>\$939,314</u>

The restricted portion of the total loans outstanding is assigned as collateral on notes payable to Federal Home Loan Bank of Seattle (FHLB) (see Note 10). Loans to employees totaled \$546,551 and \$565,694 at September 30, 2013 and 2012, respectively. These loans meet the same criteria as all real estate loans made to non-related individuals by the Corporation. At September 30, 2013 and 2012, loans and other receivables in arrears three months or more or held with the attorney for collection totaled \$2,404,720 and \$1,777,479, respectively.

**5. Other Receivables**

In 2002, the Corporation elected to record a receivable and the corresponding liability for loans under the CAHAT, Hazard Mitigation, Down Payment and Closing Cost Assistance (DPCCA) and the Sagan Linahyan Project programs. Except for the Hazard Mitigation Program, these programs are interest-free loans solely to assist first-time homeowners for purposes of retrofitting for typhoon resistant homes. The Foreclosure Protection Fund is restricted for the purpose of protecting the interest of CAHAT loans.

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Notes to Financial Statements, continued

**5. Other Receivables, continued**

As of September 30, 2013 and 2012, other receivables due from borrowers for the aforementioned loans consisted of the following:

	<u>2013</u>	<u>2012</u>
CAHAT	\$1,890,615	\$1,811,825
DPCCA	280,351	358,735
Hazard Mitigation Program	<u>14,551</u>	<u>17,628</u>
	2,185,517	2,188,188
Other receivables	<u>142</u>	<u>22,859</u>
	<u>\$2,185,659</u>	<u>\$2,211,047</u>

The Corporation recorded a corresponding liability on the DPCCA Program totaling \$290,693 and \$370,178 as of September 30, 2013 and 2012, respectively, which is reported as loans held in trust in the accompanying statements of net position.

The DPCCA program was funded by the Guam Housing and Urban Renewal Authority (GHURA) with monies received from the U.S. Department of Housing and Urban Development. The CAHAT and Foreclosure Protection Fund programs were funded by appropriations received from the GovGuam through Public Law 21-99. The DPCCA program, which was administered by the Corporation under a Sub-recipient Agreement with GHURA, was terminated on October 23, 2003. The repayments received by the Corporation from its borrowers are program income of GHURA and is remitted monthly.

**6. Tenants Receivable**

At September 30, 2013 and 2012, tenants receivable, net is summarized as follows:

	<u>2013</u>	<u>2012</u>
Tenant accounts	\$ 79,150	\$77,746
Other	<u>971</u>	<u>---</u>
	80,121	77,746
Allowance for doubtful accounts	<u>(39,924)</u>	<u>(37,416)</u>
	<u>\$40,197</u>	<u>\$40,330</u>

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Notes to Financial Statements, continued

**7. Capital Assets**

A summary of changes in net capital assets, consisting of property and equipment for the year ended September 30, 2013 is as follows:

	2013			
	Beginning Balance October 1, <u>2012</u>	Transfers and <u>Additions</u>	Transfers and <u>Disposals</u>	Ending Balance September 30, <u>2013</u>
Capital assets depreciated and amortized:				
Buildings and improvements	\$6,104,984	\$564,176	\$(679)	\$6,668,481
Office furniture and equipment	298,296	11,400	---	309,696
Vehicles	135,141	---	---	135,141
Land improvements	58,349	---	---	58,349
Leasehold improvements	<u>29,445</u>	<u>---</u>	<u>---</u>	<u>29,445</u>
Total capital assets depreciated and amortized	6,626,215	575,576	(679)	7,201,112
Less accumulated depreciation and amortization	<u>(3,289,396)</u>	<u>(149,711)</u>	<u>---</u>	<u>(3,439,107)</u>
Net capital assets depreciated and amortized	3,336,819	425,865	(679)	3,762,005
Capital asset not depreciated and amortized - land	<u>2,934,227</u>	<u>---</u>	<u>---</u>	<u>2,934,227</u>
	<u>\$6,271,046</u>	<u>\$425,865</u>	<u>\$(679)</u>	<u>\$6,696,232</u>

In accordance with Public Law 31-215, 10 abandoned properties located within the Sagan Linahyan Subdivision in Dededo, Guam were transferred from the Department of Land Management, a component unit of the GovGuam, to the Corporation for purposes of rehabilitating the lots to provide affordable rental housing. The Corporation accounted for the assets transferred in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, which applies to nonexchange transactions involving financial and capital resources and provides that governments recognize assets from imposed nonexchange revenue transactions in the period when an enforceable legal claim to the assets arises or when the resources are received, whichever occurs first. The Corporation recognized the assets and revenues, as all applicable eligibility requirements, including time requirements, were met.

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Notes to Financial Statements, continued

**7. Capital Assets, continued**

At September 30, 2012, the donated land and its improvements was recorded based on the appraised value of \$601,000, and is recorded as a component of capital assets, net and sundry income in the accompanying 2012 statement of net position and statement of revenues, expenses and changes in net position, respectively.

GHURA paid for cost of renovations to the subdivision from funds received under the Community Development Block Grant from the U.S. Department of Housing and Urban Development. The 10 abandoned house lots were rehabilitated for use as affordable rental housing for eligible and qualified low and moderate income individuals and families. Upon completion of GHURA's renovation in 2013, the appraised value of the 10 rehabilitated house lots increased by \$497,500 and is recorded as a component of capital assets, net and sundry income in the accompanying 2013 statement of net position and statement of revenues, expenses and changes in net position, respectively.

A summary of changes in capital assets, consisting of property and equipment for the year ended September 30, 2012 is as follows:

	2012			
	Beginning Balance October 1, <u>2011</u>	Transfers and <u>Additions</u>	Transfers and <u>Disposals</u>	Ending Balance September 30, <u>2012</u>
Capital assets depreciated and amortized:				
Buildings and improvements	\$5,910,386	\$194,598	\$ ---	\$6,104,984
Office furniture and equipment	322,222	---	(23,926)	298,296
Vehicles	125,141	10,000	---	135,141
Land improvements	47,659	10,690	---	58,349
Leasehold improvements	<u>29,445</u>	<u>---</u>	<u>---</u>	<u>29,445</u>
Total capital assets depreciated and amortized	6,434,853	215,288	(23,926)	6,626,215
Less accumulated depreciation and amortization	<u>(3,172,150)</u>	<u>(141,172)</u>	<u>23,926</u>	<u>(3,289,396)</u>
Net capital assets depreciated and amortized	3,262,703	74,116	---	3,336,819
Capital asset not depreciated and amortized – land	<u>2,509,227</u>	<u>425,000</u>	<u>---</u>	<u>2,934,227</u>
	<u>\$5,771,930</u>	<u>\$499,116</u>	<u>\$ ---</u>	<u>\$6,271,046</u>

Guam Housing Corporation  
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Notes to Financial Statements, continued

**8. Foreclosed Assets Held for Resale**

A summary of the activities in the foreclosed assets held for resale as of September 30, 2013 and 2012 is as follows:

	<u>2013</u>	<u>2012</u>
Foreclosed assets held for resale at beginning of year	\$394,364	\$247,691
Other costs and adjustments	5,585	1,867
Foreclosures made during the year	<u>---</u>	<u>144,806</u>
	<u>\$399,949</u>	<u>\$394,364</u>

At September 30, 2013 and 2012, foreclosed assets held for resale represent five residential units acquired by the Corporation due to the borrowers' default on their mortgages.

**9. Mortgage Revenue Bonds Payable**

Revenue bonds payable at September 30, 2013 and 2012 consists of the following:

	<u>2013</u>	<u>2012</u>
Single Family Mortgage Revenue Bonds 1998 Series A, with interest rate of 5.35% per annum payable semi-annually on March 1 and September 1 and matures on September 1, 2018. Semi-annual principal installments totaling from \$74,931 to \$95,420	\$ 850,000	\$ 850,000
Single Family Mortgage Revenue Bonds 1998 Series A, with interest rate of 4.70% per annum payable semi-annually on March 1 and September 1 and matures on September 1, 2021. Semi-annual principal installments totaling from \$108,434 to \$119,510	685,000	685,000
Single Family Mortgage Revenue Bonds 1998 Series A, with interest rate of 5.75% per annum payable semi-annually on March 1 and September 1 and matures on September 1, 2031. Semi-annual principal installments totaling from \$114,064 to \$194,201	3,030,000	3,030,000
Single Family Mortgage Revenue Bonds 1998 Series A, with interest rates of 4.45% to 5.25% per annum payable semi-annually on March 1 and September 1 and matured on September 1, 2013. Semi-annual principal installments totaling from \$65,000 to \$75,000	<u>---</u>	<u>145,000</u>
	<u>\$4,565,000</u>	<u>\$4,710,000</u>

Guam Housing Corporation  
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Notes to Financial Statements, continued

**9. Mortgage Revenue Bonds Payable, continued**

On April 15, 1998, the Corporation issued \$50,000,000 (Guaranteed Mortgage-Backed Securities Program) 1998 Series A tax-exempt Single Family Mortgage Revenue Bonds. The bonds were issued for the purpose of providing money to engage in a home-financing program within the territory of Guam. Principal installments and interest due on the bonds are payable semi-annually on March 1 and September 1 of each year, commencing on September 1, 1998 at various rates indicated in the preceding paragraph.

At September 30, 2013 and 2012, the accrued interest expense on the above bonds totaled \$20,991 and \$21,626, respectively, which is reported as a component of accrued interest payable in the accompanying statements of net position. For the years ended September 30, 2013 and 2012, interest expense, net of amortized bond premium incurred on the aforementioned bonds totaled \$257,036 and \$264,361, respectively, which is reported as a component of interest expense on borrowings in the accompanying statements of revenues, expenses and changes in net position.

Accrued interest income earned on the bonds totaled \$9,266 and \$9,968 as of September 30, 2013 and 2012, respectively, which is reported as a component of accrued interest receivable in the accompanying statements of net position.

The Corporation is required to calculate rebatable arbitrage as of the last day of any Bond year pursuant to the provisions of the U.S. Department Treasury Regulation Section 1.148. The arbitrage provisions require the Corporation to rebate excess arbitrage earnings from bond proceeds to the federal government. As provided for by the bond indenture, this amount has been recorded as "Rebate Liability" for the benefit of the federal government and will be paid as required by applicable regulations. As of September 30, 2013 and 2012, the rebate liability totaled \$67,438 and \$65,566, respectively, as reported in the accompanying statements of net position. The bonds are limited obligations of the Corporation payable from the revenues and other assets pledged for the payment thereof and are not a lien or charge upon the funds of the Corporation, except to the extent of the pledge and assignment set forth in the Indenture and in the bonds. The bonds do not constitute indebtedness or a loan of credit of the GovGuam or the United States of America, within the meaning of the Organic Act of Guam or statutory provisions. Neither the faith and credit nor the taxing power of the GovGuam is pledged to the payment of the principal of, or interest on the bonds. The Corporation has no taxing authority. The bonds are not debts, liabilities or obligations of the GovGuam and the GovGuam is not liable for the payment should the Corporation default on the loan.

The bonds maturing on September 1, 2031 are not subject to optional redemption prior to maturity. The bonds maturing after September 1, 2008 but on or before September 1, 2021 are subject to redemption on any date on or after September 1, 2008, at the option of the Corporation, in whole, or in part from such maturities as are determined by the Corporation, from any source of available monies, at the redemption prices of 100%.

Guam Housing Corporation  
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Notes to Financial Statements, continued

**9. Mortgage Revenue Bonds Payable, continued**

Scheduled future maturities of mortgage revenue bonds maturing on September 1, 2018 are summarized as follows:

<u>Date</u>	<u>Principal Amount</u>	<u>Date</u>	<u>Principal Amount</u>
March 1, 2014	\$74,931	September 1, 2016	\$85,468
September 1, 2014	\$77,273	March 1, 2017	\$88,395
March 1, 2015	\$79,614	September 1, 2017	\$90,737
September 1, 2015	\$81,371	March 1, 2018	\$93,079
March 1, 2016	\$83,712	September 1, 2018	\$95,420

Scheduled future maturities of mortgage revenue bonds maturing on September 1, 2021 are summarized as follows:

<u>Date</u>	<u>Principal Amount</u>
March 1, 2019	\$108,434
September 1, 2019	\$110,183
March 1, 2020	\$113,681
September 1, 2020	\$115,430
March 1, 2021	\$117,762
September 1, 2021	\$119,510

Scheduled future maturities of mortgage revenue bonds maturing on September 1, 2031 are summarized as follows:

<u>Date</u>	<u>Principal Amount</u>	<u>Date</u>	<u>Principal Amount</u>
March 1, 2022	\$114,064	March 1, 2027	\$150,915
September 1, 2022	\$117,573	September 1, 2027	\$156,180
March 1, 2023	\$120,498	March 1, 2028	\$159,689
September 1, 2023	\$124,008	September 1, 2028	\$165,539
March 1, 2024	\$127,517	March 1, 2029	\$170,218
September 1, 2024	\$131,612	September 1, 2029	\$174,898
March 1, 2025	\$135,122	March 1, 2030	\$180,162
September 1, 2025	\$139,216	September 1, 2030	\$186,012
March 1, 2026	\$143,311	March 1, 2031	\$191,275
September 1, 2026	\$147,990	September 1, 2031	\$194,201

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Notes to Financial Statements, continued

**9. Mortgage Revenue Bonds Payable, continued**

The Bond Indenture contains certain restrictive covenants, including restrictions on the use of bond funds. Management of the Corporation is of the opinion that the Corporation is in compliance with all significant covenants of the mortgage revenue bonds as of September 30, 2013.

Future bond principal and mandatory sinking fund installments payable by the Corporation to the bond trustees are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
2014	\$ 152,204	\$ 249,891	\$ 402,095
2015	160,985	241,622	402,607
2016	169,180	232,900	402,080
2017	179,132	223,724	402,856
2018	188,499	214,015	402,514
2019 to 2023	1,161,143	908,342	2,069,485
2024 to 2028	1,457,091	555,552	2,012,643
2029 to 2031	<u>1,096,766</u>	<u>112,876</u>	<u>1,209,642</u>
	<u>\$4,565,000</u>	<u>\$2,738,922</u>	<u>\$7,303,922</u>

**10. Notes Payable**

At September 30, 2013 and 2012, the Corporation has notes payable to FHLB totaling \$1,119,469 and \$2,267,289, respectively, with interest of 6.49% per annum, and matures in August 2014. Monthly principal installments and accrued interest are due at varying amounts. At September 30, 2013 and 2012, accrued interest payable on this note totaled \$6,024 and \$12,127, respectively, and is reported as a component of accrued interest payable in the accompanying statements of net position. For the years ended September 30, 2013 and 2012, interest expense incurred on the aforementioned notes totaled \$107,416 and \$180,016, respectively, and is reported as a component of interest expense on borrowings in the accompanying statements of revenues, expenses and changes in net position.

Under the note agreements with FHLB, the borrowings are collateralized by proceeds received from mortgage loans made by the Corporation. As of September 30, 2013 and 2012, the Corporation has pledged loans totaling \$6,175,793 and \$7,244,507, respectively, as security to the aforementioned borrowings.

Guam Housing Corporation  
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Notes to Financial Statements, continued

**11. Employee Benefits and Others**

*Employee Retirement Plan*

Employees of the Corporation hired before September 30, 1995 are under the GovGuam Employees' Retirement System, a defined benefit pension plan (DB Plan). Employees hired after September 30, 1995, are members of the new Defined Contribution Retirement System (DCRS). Until December 31, 1999, and for several limited periods after December 31, 1999, those employees who are members of the defined benefit plan with less than 20 years of service at September 30, 1995, had the option to switch to the DCRS. Otherwise, these employees remained under the old plan.

The DB Plan and the DCRS are administered by the Government of Guam Retirement Fund (GGRF), to which the Corporation contributes based upon a fixed percentage of the payroll for those employees who are members of the Plan.

*DB Plan*

The DB Plan is a cost-sharing multiple-employer plan. A single actuarial valuation is performed annually covering all plan members and the same contribution rate applies to each employer. GGRF issues a publicly available financial report that includes financial statements and required supplementary information for the DB Plan. That report may be obtained by writing to the Government of Guam Retirement Fund, 424 A Route 8, Maite, Guam 96910, or by visiting GGRF's website - [www.ggrf.com](http://www.ggrf.com).

Plan members of the DB Plan are required to contribute a certain percentage of their annual covered salary. The contribution requirements of the plan members and the Corporation are established and may be amended by the GGRF.

Statutory contribution rates for employer and employee contributions were 30.09% and 9.50%, respectively, for the year ended September 30, 2013, 28.30% and 9.50%, respectively, for the year ended September 30, 2012, and 27.46% and 9.50%, respectively, for the year ended September 30, 2011. Actuarial contribution rate was 30.76%, 30.09% and 28.06% for the years ended September 30, 2013, 2012 and 2011, respectively.

During the years ended September 30, 2013, 2012 and 2011, contributions made, which were equal to the required contribution for those years, amounted to \$85,894, \$77,561 and \$71,312, respectively.

Guam Housing Corporation  
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Notes to Financial Statements, continued

**11. Employee Benefits and Others, continued**

*DCRS*

Contributions into the DCRS, by members are based on an automatic deduction of 5% of the member's regular base pay. The contribution is periodically deposited into an individual annuity account within the DCRS. Employees are afforded the opportunity to select from different annuity accounts available under the DCRS.

Statutory employer contributions into the DCRS for the years ended September 30, 2013 and 2012 are determined using the same rates as the DB plan. Of the amount contributed by the employer, only 5% of the member's regular base pay is deposited into the member's individual annuity account. The remaining amount is contributed towards the unfunded liability of the defined benefit plan. Members of the DCRS who have completed five years of government service, have a vested balance of 100% of both member and employer contributions plus any earnings thereon.

For the years ended September 30, 2013, 2012 and 2011 contributions made under the DCRS amounted to \$280,006, \$250,786 and \$221,786, respectively.

*Accrued Sick Leave*

Public Law 26-86 allows members of the DCRS to receive a lump sum payment of one-half of their accumulated sick leave upon retirement. As of September 30, 2013 and 2012, the Corporation has accrued an estimated liability of \$185,866 and \$166,093, respectively, which is reported as a component of accrued compensated absences in the accompanying statements of net position. However, this amount is an estimate and actual payout could differ from the estimate.

*Other Post-Employment Benefits*

The GovGuam, through its substantive commitment to provide other post-employment benefits (OPEB), maintains a cost-sharing multiple employer defined benefit plan to provide certain post-retirement healthcare benefits to retirees who are members of the GGRF. Under the Plan, known as the GovGuam Group Health Insurance Program, the GovGuam provides medical, dental, and life insurance coverage. The retiree medical and dental plans are fully-insured products provided through insurance companies. The GovGuam shares in the cost of these plans, with the GovGuam's contribution amount set each year at renewal. Current statutes prohibit active and retired employees from contributing different amounts for the same coverage. As such, the GovGuam contributes substantially more to the cost of retiree healthcare than to active healthcare.

Guam Housing Corporation  
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Notes to Financial Statements, continued

**11. Employee Benefits and Other, continued**

*Other Post-Employment Benefits, continued*

For the life insurance plan, the GovGuam provides retirees with \$10,000 of life insurance coverage through an insurance company. Retirees do not share in the cost of this coverage. Because the Plan consists solely of the GovGuam's firm commitment to provide OPEB through the payment of premiums to insurance companies on behalf of its eligible retirees, no stand-alone financial report is either available or generated.

During the years ended September 30, 2013, 2012 and 2011, the Corporation's required contributions to this Plan totaled approximately \$121,439, \$126,018 and \$147,806, respectively.

**12. Commitments and Contingencies**

*Commitments*

As of September 30, 2013, the Corporation has loan commitments totaling \$618,940.

In February 2003, the Corporation entered into a Memorandum of Understanding (MOU) with the Guam Economic Development Authority (GEDA), an autonomous agency of the GovGuam to provide network and computer administration support services for the Corporation. Beginning August 2013, GEDA no longer provided support services to the Corporation. For the years ended September 30, 2013 and 2012, the service fee on the aforementioned agreement totaled \$17,618 and 21,696, respectively, which is reported as a component of professional services in the accompanying statements of revenues, expenses and changes in net position.

The Corporation leases office space from GEDA under an operating lease which expires on February 28, 2014. For the years ended September 30, 2013 and 2012, rental expense totaling \$114,472 and \$112,809, respectively, was paid to GEDA, which is reported as a component of rent expense in the accompanying statements of revenues, expenses and changes in net position.

*Litigation*

During 2010, a class lawsuit was filed against the Corporation, DOA and the GovGuam to compel the aforementioned autonomous agencies and entities to issue merit bonuses to those resigned classified employees receiving superior performance rating pursuant to the Uniform Position Classification and Salary Administration Act of 1991. In 2013, the case was partially settled and the Corporation paid merit bonuses to the resigned classified employees totaling \$32,365 which is reported as a component of salaries and retirement and medicare contributions in the accompanying 2013 statement of revenues, expenses and changes in net position.

Guam Housing Corporation  
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Notes to Financial Statements, continued

**12. Commitments and Contingencies, continued**

*Litigation, continued*

The Corporation has claims under legal procedures for approximately \$1.7 million in which foreclosure, litigation or bankruptcy is involved. These claims are at various stages and the ultimate outcome is uncertain. Therefore, no additional provision for any potential liability that may result from these claims has been made in the accompanying financial statements.

*Self-Insurance*

The Corporation self-insures for all risks to Lada Gardens and Guma As-Atdas. A separate restricted cash account was established to fund any damages that may arise in the future, to be increased on a monthly basis by the weighted-average yield of the Corporation's checking account. Excess of losses over the fund is recognized in the year realized. At September 30, 2013 and 2012, the self-insurance fund totaled \$889,644 and \$804,286, respectively, as reported in the accompanying statements of net position.

## Supplementary Information

**Guam Housing Corporation**  
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Schedule of Funding Progress and Actuarial Accrued Liability – Post  
Employment Benefits Other than Pension (Unaudited)

The Government of Guam (GovGuam) maintains a cost-sharing multiple employer defined benefit plan to provide certain other post-retirement healthcare benefits (OPEB) to retirees who are members of the GovGuam Retirement Fund. Under the Plan, known as the GovGuam Group Health Insurance Program, GovGuam provides medical, dental, and life insurance coverage. The Guam Housing Corporation is a participating employer of the Plan.

The Schedule of Funding Progress presents OPEB valuations as of fiscal years ended September 30, 2011, 2009, and 2007 for GovGuam’s Post Employment Benefits other than Pensions. The schedule provides, as a whole for the GovGuam, information trends about whether the actuarial values of Plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
October 1, 2007	\$ ---	\$1,635,223,000	\$1,635,223,000	0.0%	\$466,346,000	350.6%
October 1, 2009	\$ ---	\$1,852,558,000	\$1,852,558,000	0.0%	\$466,346,000	397.2%
October 1, 2011	\$ ---	\$2,088,331,000	\$2,088,331,000	0.0%	\$466,346,000	447.8%

The aforementioned actuarial accrued liability presents GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, results of the OPEB valuation as a whole for the GovGuam. The actuarial accrued liability, as of September 30, 2011, attributed to the Guam Housing Corporation, totals \$3,190,000.

**Guam Housing Corporation**  
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**Combining Statement of Net Position**

September 30, 2013

	<u>Housing</u>	<u>Rental</u>	<u>Combined Total</u>
<b>Assets</b>			
Unrestricted assets:			
Cash and cash equivalents	\$ 1,980,656	\$ 1,437,128	\$ 3,417,784
Self-insurance fund	---	889,644	889,644
Loans receivable, net	22,145,492	---	22,145,492
Tenants receivable, net	---	40,197	40,197
Other receivables	142	---	142
Accrued interest receivable	76,499	1,050	77,549
Prepaid expenses and other	3,434	79,190	82,624
Foreclosed assets held for resale	399,949	---	399,949
Interdivision	( 750,000 )	750,000	---
 Total unrestricted assets	 <u>23,856,172</u>	 <u>3,197,209</u>	 <u>27,053,381</u>
Restricted assets:			
Cash and cash equivalents	2,056,047	84,669	2,140,716
Investments	4,574,024	---	4,574,024
Loans receivable, net	6,175,793	---	6,175,793
Other receivables	2,185,517	---	2,185,517
 Total restricted assets	 <u>14,991,381</u>	 <u>84,669</u>	 <u>15,076,050</u>
Capital assets, net	<u>---</u>	<u>6,696,232</u>	<u>6,696,232</u>
 Total assets	 <u>38,847,553</u>	 <u>9,978,110</u>	 <u>48,825,663</u>

**Guam Housing Corporation**  
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Combining Statement of Net Position, continued

September 30, 2013

	<u>Housing</u>	<u>Rental</u>	<u>Combined Total</u>
<b>Liabilities</b>			
Payable from unrestricted assets:			
Accounts payable and accrued expenses	76,154	118,334	194,488
Accrued compensated absences	158,891	143,267	302,158
Unearned revenue	<u>40,957</u>	<u>1,752</u>	<u>42,709</u>
Total payable from unrestricted assets	<u>276,002</u>	<u>263,353</u>	<u>539,355</u>
Payable from restricted assets:			
Accounts payable	985,713	---	985,713
Bonds payable	4,565,000	---	4,565,000
Notes payable	1,119,469	---	1,119,469
Accrued interest payable	27,015	---	27,015
Security deposits	900	60,813	61,713
Deposits by borrowers - insurance premiums and real estate taxes	437,257	---	437,257
Loans held in trust	290,693	---	290,693
Rebate liability	<u>67,438</u>	<u>---</u>	<u>67,438</u>
Total payable from restricted assets	<u>7,493,485</u>	<u>60,813</u>	<u>7,554,298</u>
Total liabilities	<u>7,769,487</u>	<u>324,166</u>	<u>8,093,653</u>
<b>Net position</b>			
Invested in capital assets, net of related debt	---	6,696,232	6,696,232
Restricted	7,497,896	23,856	7,521,752
Unrestricted	<u>23,580,170</u>	<u>2,933,856</u>	<u>26,514,026</u>
Total net position	<u>\$ 31,078,066</u>	<u>\$ 9,653,944</u>	<u>\$ 40,732,010</u>

**Guam Housing Corporation**  
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**Combining Statement of Revenues, Expenses and Changes in Net Position**

Year ended September 30, 2013

	<u>Housing</u>	<u>Rental</u>	<u>Combined Total</u>
Interest income:			
Loans receivable	\$ 1,702,771	\$ ---	\$ 1,702,771
Investments held by bond trustees	76,068	---	76,068
Interest-bearing deposits	<u>9,697</u>	<u>5,969</u>	<u>15,666</u>
Total interest income	1,788,536	5,969	1,794,505
Interest expense on borrowings	<u>364,452</u>	<u>---</u>	<u>364,452</u>
Net interest income	1,424,084	5,969	1,430,053
Reversal of loan losses	<u>279,641</u>	<u>---</u>	<u>279,641</u>
Net interest income after reversal of loan losses	1,703,725	5,969	1,709,694
Other income:			
Rental income	7,530	909,821	917,351
Sundry	<u>40,700</u>	<u>508,240</u>	<u>548,940</u>
	<u>1,751,955</u>	<u>1,424,030</u>	<u>3,175,985</u>
Other expenses:			
Salaries	773,906	514,228	1,288,134
Retirement and Medicare contributions	232,982	158,653	391,635
First-time Homeowner Assistance Program	357,106	---	357,106
Retiree supplemental and health benefits	102,799	61,118	163,917
Professional services	58,826	100,894	159,720
Depreciation and amortization	4,531	145,180	149,711
Rent	120,032	---	120,032
Contractual services	45,751	58,381	104,132
Employee benefits, other than retirement	33,671	25,347	59,018
Other	23,031	23,593	46,624
Maintenance	---	42,588	42,588
Bad debts	---	33,893	33,893
Bond trustee fees	14,602	---	14,602
Director fees	<u>2,050</u>	<u>---</u>	<u>2,050</u>
Total other expenses	<u>1,769,287</u>	<u>1,163,875</u>	<u>2,933,162</u>
Change in net position	( 17,332 )	260,155	242,823
Net position at beginning of year	<u>31,095,398</u>	<u>9,393,789</u>	<u>40,489,187</u>
Net position at end of year	<u>\$ 31,078,066</u>	<u>\$ 9,653,944</u>	<u>\$ 40,732,010</u>

**Guam Housing Corporation**  
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**Salaries, Wages and Benefits**

Years ended September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Salaries, wages and benefits:		
Salaries	\$ 1,288,134	\$ 1,187,768
Retirement and Medicare contributions	391,635	360,050
Retiree supplemental and health benefits	163,917	167,596
Benefits other than retirement	<u>59,018</u>	<u>55,272</u>
Total salaries, wages and benefits	<u>\$ 1,902,704</u>	<u>\$ 1,770,686</u>
Employees at end of year	25	26

**Guam Housing Corporation**  
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**First-time Homeowner Assistance Program**

Years ended September 30, 2013 and 2012

<u>Source of Fund</u>	2013			
	<u>Number of Grantees</u>	<u>Total Fund Allocated</u>	<u>Total Amount Disbursed</u>	<u>Balance at September 30, 2013</u>
Guam Housing Corporation	50	\$ 392,487	\$357,106	\$ 35,381
Department of Administration	<u>34</u>	<u>1,228,771</u>	<u>243,058</u>	<u>985,713</u>
Total	<u>84</u>	<u>\$1,621,258</u>	<u>\$600,164</u>	<u>\$1,021,094</u>

<u>Source of Fund</u>	2012			
	<u>Number of Grantees</u>	<u>Total Fund Allocated</u>	<u>Total Amount Disbursed</u>	<u>Balance at September 30, 2012</u>
Guam Housing Corporation	<u>15</u>	<u>\$500,000</u>	<u>\$107,513</u>	<u>\$392,487</u>