

*Financial Statements, Required Supplementary Information
and Supplementary Information*

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

*Year ended September 30, 2022
with Report of Independent Auditors*



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

Financial Statements, Required Supplementary Information, and
Supplementary Information

Year ended September 30, 2022

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Report of Independent Auditors

The Board of Directors
Guam Housing Corporation

Opinions

We have audited the accompanying financial statements of the business-type activities and fiduciary activities of the Guam Housing Corporation (the Corporation), a component unit of the Government of Guam, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of the Corporation at September 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States (Government Auditing Standards). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 13, the Schedules of the Corporation's Proportionate Share of the Net Pension Liability on pages 50, 52 and 54, the Schedule of the Corporation's Contributions on pages 51, 53, 55 and 57 and the Schedule of the Corporation's Proportionate Share of Collective Total Other Postemployment Benefit Liability on page 56 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which 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 of America, 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 Corporation's basic financial statements. The supplementary combining Statement of Net Position included in pages 59 and 60, combining Statement of Revenues, Expenses and Changes in Net Position included in page 61, the schedule of salaries, wages and benefit included in page 62, and the First-time Homeowner Assistance Program included in page 63 are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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. The 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 of America. 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 August 18, 2023 on our consideration of the 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 solely 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 effectiveness of the Corporation's 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 Corporation's internal control over financial reporting and compliance.

Ernst + Young LLP

August 18, 2023

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

Management's Discussion and Analysis
September 30, 2022

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 (FY) ended September 30, 2022. We encourage readers to consider the information presented as you review the financial statistics presented on the following pages.

A. About the Corporation

GHC was established by virtue of Title 12 Chapter 4 of the Guam Code Annotated in 1965. GHC's mandate is to (a) To encourage and promote the investment of private capital in low and moderate income residential housing in Guam. (b) To engage in land-use planning for residential housing purposes to the end that the most economic and socially beneficial use may be made of land, and to encourage and assist private persons and organizations to act in accordance with the results of such planning. (c) To encourage and engage in low and moderate income housing activities, including development of residential subdivisions, construction of housing for rental or resale, and to make loans to qualified persons who cannot otherwise qualify as borrowers through conventional means for the purchase, construction, improvement, or repair of a home.

The management of the GHC is vested in a Board of Directors consisting of seven (7) members. The Board is responsible for overall policymaking and general supervision of the Corporation.

Loan & Supplemental Funding Programs

First Time homeowners may apply for any of GHC's loan programs. However, for the Regular Loan Program and the Six Percent Loan Program, the applicant(s) must be denied by a financial institution before the applicant can apply with Guam Housing Corporation. Prospective applicants are encouraged to meet with GHC for a prequalification interview to determine how GHC might assist the applicant with his/her financing needs.

While both the Regular and the Six Percent Loan Programs are similar in their eligibility and qualifying criteria, there are differences in the interest rate. The interest rate for the Regular program is two percent (2%) above the prevailing rate charged by loan lenders, while the interest rate for the Six Percent Loan program is the prevailing rate with the lowest rate at four percent (4%) and the highest at six percent (6%).

Both loan programs may be used for the purchase or construction of a house. If the purpose is for construction, GHC's loan is structured to have only one closing fee charged at loan closing. Interest payments will be required during the construction period and then converted to PITI (principal, interest, taxes, and insurance) payments upon completion of the house. The loan will then mature up to thirty years after the first full payment of PITI.

Another loan program is the Community Affordable Housing Action Trust known as the CAHAT loan program. This is an interest free second mortgage program designed to assist first time homeowners who lack the necessary resources to purchase or construct a typhoon-resistant home. The first mortgagee, from a participating lender, will provide financing of up to 80%, the CAHAT loan program will provide 15% financing and the borrower will provide the required 5% down payment. Eligible recipients of the program are provided up to \$40,000 with a loan term of up to thirty years.

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Management's Discussion and Analysis, continued

GHC has also partnered with Rural Development (RD), United States Department of Agriculture, to provide a joint financing between the two agencies. The program is the Leverage Loan Program, whereby GHC will provide 20% financing from its Six Percent Loan Program as the first lienholder and RD will provide 80% financing as the second lienholder for 100% financing. This program was effectuated via a Memorandum of Understanding between GHC and RD on September 5, 2005. Unfortunately, the program is currently inactive due to lack of funding from RD.

GHC is also mandated to administer the First Time Homeowners Assistance Program (FTHAP) established by P.L. 31-166 in January 2012. Eligible recipients of the program are provided up to \$10,000 or four percent (4%) of the total purchase and/or construction cost to assist with closing costs. The maximum cost should not exceed \$420,000, excluding closing costs, as amended by P.L. 36-29, Board Resolution 03-2022 dated May 27, 2022. There are eleven (11) participating financial institutions to include GHC.

GHC continues working with the Chamorro Land Trust Commission (CLTC) on an initiative supporting both agencies' housing issues. By virtue of Title 21, Chapter 75 of the Guam Code Annotated, GHC is, in most cases, the only authorized lender for Chamorro land trust property recipients seeking mortgage financing. In addition to GHC's loan programs, CLTC land lessees who are Veterans may also avail themselves of the Direct loan program from the U.S. Veterans Administration under the Native American Loan Program.

We refer our readers to GHC's website at www.guamhousing.org for detailed information relative to its programs' eligibility and qualifying criteria.

Rental Division

In 1969, GHC acquired 115 homes in Lada Gardens, Dededo which are managed by the Corporation's Rental Division. These 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, Dededo consisting of two bedrooms, and two 12-unit apartment buildings in Yigo named Guma As-Atdas, consisting of two and three bedrooms.

PL 31-215 enabled GHC to continue to increase its affordable rental housing inventory. This law provided for the transfer of an additional ten (10) single family units in Sagan Linahyan, consisting of one, two, three and four bedrooms, from the Department of Land Management (DLM) to GHC. The U.S. Department of Housing and Urban Development, through the Guam Housing & Urban Renewal Authority (GHURA), funded the renovation of these ten 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.

In FY 2022, major renovations of 23 rental units in Lada Gardens began. The initial contract in the amount of \$1,358,775 was awarded with the Department of Public Works (DPW) serving as Construction Manager. The Notice to Proceed (NTP) for the design phase of the project began on September 10, 2021 with the NTP for the construction phase beginning on January 26, 2022. Two (2) Change Orders (CO) were requested and approved during the construction phase of the project. CO1 entailed additional electrical and plumbing work that had not been included in the original

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Management's Discussion and Analysis, continued

Scope of Work for the project. The result was an increase to the contract in the amount of \$85,860 bringing the total contract amount to \$1,444,635. CO2 was a request for an additional sixty (60) days to complete the project. Upon signature authorizing CO2 by Governor Lou Leon Guerrero and registration with the Guam Department of Administration, the new contract date was extended to January 16, 2023.

B. Overview of the Financial Statements

The discussion and analysis are 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) The Corporation's financial statements and 2) notes to the financial statements. The report also contains additional required supplementary information.

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 Principal Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

The *Statement of Net Positions* presents information on all the Corporation's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between the two reported as net positions. 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 *Statement of Revenues, Expenses and Changes in Net Positions* present information showing how the Corporation's net positions changed during the most recent fiscal year. All changes in net positions 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., depreciation, and earned but unused vacation leave).

The *Statement of Cash Flows* provides 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 operations, investing, and financing activities.

The Corporation's 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 financial statements can be found on pages 14 through 65 of this report.

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Management's Discussion and Analysis, continued

A condensed summary of the Corporation's statements of net position at September 30, 2022 and 2021 is shown below.

	2022	2021
Cash & Investments	\$ 12,971,780	\$ 12,600,962
Loans receivable, other receivables, prepaid exp., & inventory	22,074,227	22,319,278
Foreclosed assets held for resale	102,082	---
Capital Assets	6,529,613	5,732,827
Total Assets	\$ 41,677,702	\$ 40,653,067
 Deferred outflows of resources – pension & OPEB	 2,402,364	 2,783,448
Total assets & deferred outflows of resources	\$ 44,080,066	\$ 43,436,515
 Accounts payable, lease liabilities & accrued expenses	 \$ 2,062,739	 \$ 513,691
Deposits by borrowers & security deposit	714,685	533,010
Bonds payable	2,795,000	3,030,000
Net Pension & OPEB Liability	11,005,089	11,022,711
Total Liabilities	16,577,513	15,099,412
 Deferred inflows of resources – pension & OPEB	 3,383,855	 4,581,941
Invested in capital assets, net of related debt	6,529,613	5,732,827
Restricted	3,259,391	3,210,936
Unrestricted	14,329,694	14,811,399
Total net position	\$ 24,118,698	\$ 23,755,162
	 2022	 2021
Revenues	\$ 2,187,380	\$ 2,476,878
Expenses	1,823,844	2,043,352
Increase in net position	363,536	433,526
Total net position at beginning of year	23,755,162	23,321,636
 Total net position at end of year	 \$ 24,118,698	 \$ 23,755,162

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

Management's Discussion and Analysis, continued

C. Financials at a Glance

The Corporation ended FY 2022 with an increase in net income of \$364 thousand (K). The increase is due to the decrease of the deferred inflows for the Other Postemployment Benefits (OPEB) and the decrease in the Pension Liability. The overall adjustments due to the OPEB and Pension Liability increased the net position by \$835K in FY 2022. Before the OPEB and pension liability adjustment, the Corporation had a decrease in net position of \$471K.

As per the Department of Administration Organizational Circular No.: 2022-030, no prior year comparison will be presented in the FY 2022 Basic Financial Statements due to the tasks necessary to include newly required information as a result of the operation of GASB Statement No. 87.

Due to the implementation of GASB Statement No. 87, new categories are included in the financial statements. The Statement of Net Position includes right-of-use asset and lease liabilities and the Statements of Revenues, Expenses and Changes in Net Position includes interest expense for lease liabilities and amortization of right-of-use asset.

On March 14, 2020, the Governor of Guam, through Executive Order 2020-03, declared a state of emergency for Guam in response to COVID-19. The state of emergency was extended monthly throughout FY 2021 and into FY 2023. Despite various Federal assistance programs being made available to the community, the financial impact from COVID-19 continues to be felt with residents struggling to meet their basic financial obligations such as mortgages, rental payments, utilities, groceries, health care, etc.

Super Typhoon Mawar struck the island on May 24, 2023. Widespread damages to homes, businesses, vegetation and infrastructure were sustained across the entirety of Guam. While recovery from the devastation has commenced and damages are being assessed, it will take some time to determine the full extent of the financial impact to the agency.

Revenues decreased by 12% or \$289K from \$2.5 million (M) in FY 2021 to \$2.2M in FY 2022. The decrease is due to: 1) a 16% decrease in rental income or \$153K, from \$975K in FY 2021 to \$822K in FY 2022 due to the increase in vacancy; 2) an \$80K decrease in gain on sale of foreclosed assets. Two properties were sold for a combined gain of \$80K in FY 2021 whereas no properties were sold in FY 2022; 3) a 5% decrease in interest on loans or \$61K from \$1.3M in FY 2021 to \$1.2M in FY 2022. The decrease is due to the decrease in the weighted average interest rate and a decrease in the loan portfolio.

Expenses decreased by 11% or \$220K from \$2M in FY 2021 to \$1.8M in FY 2022. The decrease is due to: 1) a 52% decrease in retirement and Medicare contributions or \$208K, from \$404K in FY 2021 to \$196K in FY 2022. This is due to a decrease in the pension liabilities. The overall pension adjustments increased pension expensed by \$63K in FY 2021 and decreased pension expense by \$167K in FY 2022; 2) a 6% decrease in interest expense or \$12K, from \$182K in FY 2021 to \$170K in FY 2022. This is due to the decrease in bonds payable.

The loan portfolio has decreased by \$406K to \$24M, a decrease of 2% from the prior year. Although principal disbursements increased from \$360K in FY 2021 to \$2.4M in FY 2022, pay offs increased from 25 loans totaling \$1.2M in FY 2021 to 30 loans totaling \$1.6M in FY 2022 and although there were loan funds committed, delays in principal disbursement have continued.

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Management’s Discussion and Analysis, continued

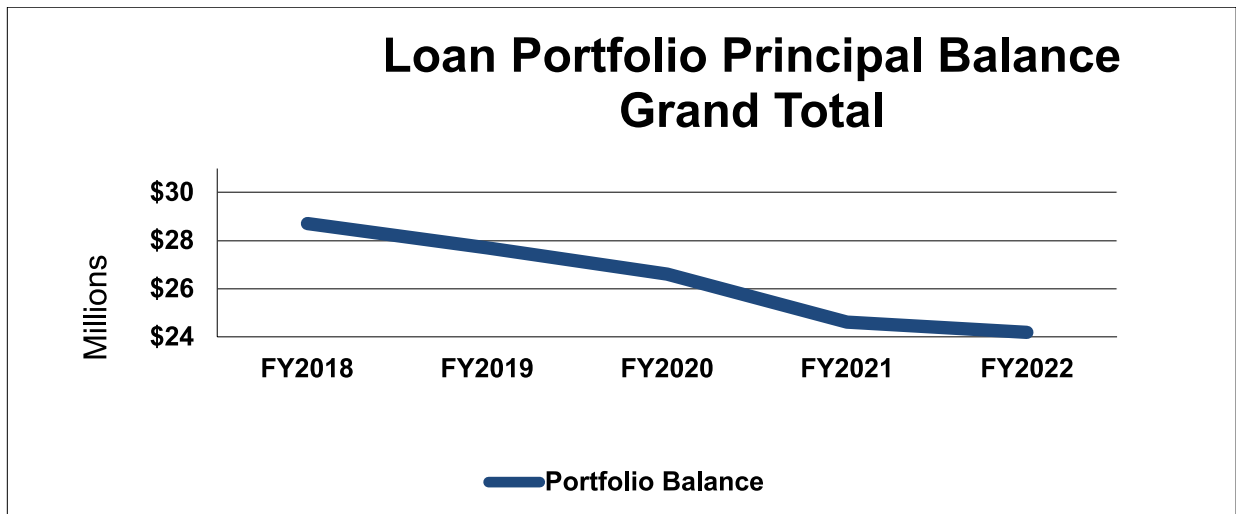
Borrowers seeking to build homes are finding it difficult to secure contractors who are able to offer affordable home construction. In large part, this issue is due to the limited availability of local and skilled construction labor. Furthermore, borrowers purchasing homes face similar difficulty due to the lack of inventory available in the low to moderate price range. GHC continues its efforts with its industry partners in addressing the housing needs of our island residents.

Despite the challenges facing GHC and the low to moderate income borrowers we serve, GHC continues to market all its available programs and entertain inquiries with the ultimate goal of loan closing and home ownership. In FY 2022, one hundred thirty-four (134) applicants were interviewed. Of those interviewed, only twenty-nine (29) pursued the application process of which eleven (11) were approved and closed. GHC closed two (2) loans totaling \$379K under the Direct Loan Program, six (6) loans totaling \$1.7M under the Six Percent Loan Program, and three (3) loans totaling \$120K under the CAHAT loan program in FY 2022.

D. Financial Highlights

Loan Portfolio Principal Balance

FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
\$28,708,835	\$27,686,804	\$26,617,079	\$24,610,846	\$24,205,232
Total Number of Loans				
373	362	341	318	300

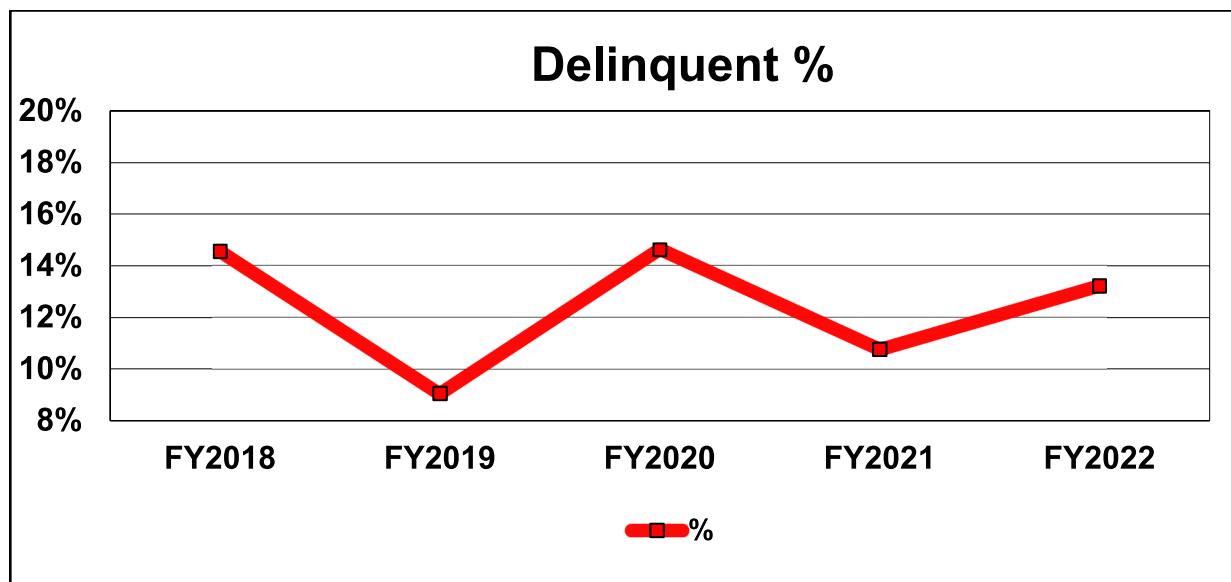


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Management’s Discussion and Analysis, continued

Delinquency

FY2018	FY2019	FY2020	FY2021	FY2022
Delinquent %				
14.54%	9.03%	14.61%	10.75%	13.21%
Principal Balance				
\$4,150,819	\$2,488,045	\$3,872,337	\$2,632,551	\$3,181,388
Total Number of Loans				
50	32	43	31	34



GHC provides mortgage loans to qualified applicants who have been denied financing from conventional financial institutions for the construction or purchase of their new homes. Thus, the Corporation assumes a higher lending risk with mortgage loans from the outset. The COVID-19 Pandemic has added to that risk as it has had a direct financial impact on many GHC mortgagors and their ability to meet their financial obligations. Delinquent loans 30 days and over increased by \$549K from \$2.6M in FY 2021 to \$3.2M in FY 2022. Overall, loans delinquent 30 days and over increased from 11% in FY 2021 to 13% in FY 2022.

GHC’s policy requires that all accounts past 90 days be reviewed and referred to legal counsel for further proceeding. 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 may be some cases in which the current market value of the secured property could be lower than the payoff amount. If the borrower is committed and has demonstrated the ability to service the workout amount, the Corporation will authorize the workout. This, however, will not eliminate foreclosure should the borrower neglect to follow the approved payment arrangement.

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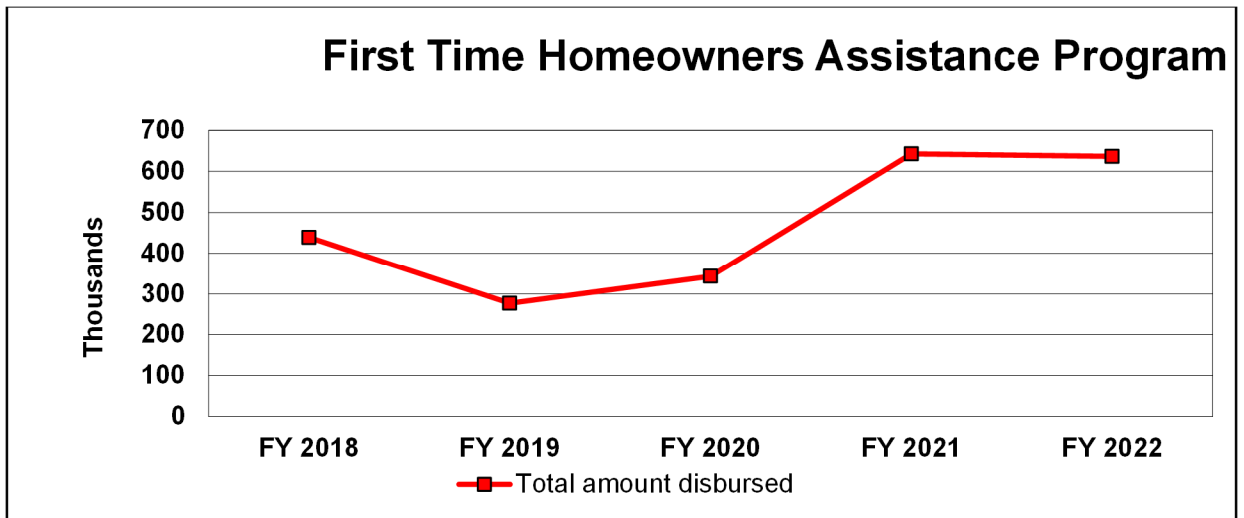
Management’s Discussion and Analysis, continued

First-Time Homeowners Assistance Program

	FY2018	FY2019	FY2020	FY2021	FY2022
Total amount disbursed	\$438,982	\$276,991	\$343,431	\$642,952	\$636,618
Total number of grants	54	34	39	71	69

GHC funds	\$7,532	\$0	\$0	\$0	\$0
Number of grants (GHC)	1	0	0	0	0

Escheated funds	\$431,450	\$276,991	\$343,431	\$642,952	\$636,618
Number of grants (Escheated funds)	53	34	39	71	69



The total number of FTHAP grants disbursed have decreased from 71 in FY 2021 to 69 in FY 2022. GHC received \$531K & \$813K of escheated funds from the Department of Administration (DOA) during fiscal years 2021 & 2022, respectively. The funds received in FY 2022 have either been committed or disbursed by January 2023. The program continues to be well received by the general public.

Foreclosed Assets Held for Resale

GHC foreclosed on one property located in Santa Rita in FY 2022 with a book value of \$102K. There were no foreclosures in FY 2021.

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Management’s Discussion and Analysis, continued

Interest on Loans Receivable, Net

Interest on loans receivable decreased by \$61K from \$1.3M in FY 2021 to \$1.2M in FY 2022. The decrease is due to fewer interest bearing loans in the loan portfolio from \$23M in FY 2021 to \$22M in FY 2022 and a decrease in weighted average interest rate from 5.04% in FY 2021 to 4.96% in FY 2022. The weighted average interest rate, which is determined by the prevailing rate, has been decreasing over the years. A 20 year comparison is depicted in the table below.

FY 2002	FY 2007	FY 2012	FY 2017	FY 2022
8.3%	7.5%	6.1%	5.3%	4.96%

Rental Income, Net

Rental income decreased by 16% or \$153K from \$975K in FY 2021 to \$822K in FY 2022. The decrease is due to the increase in vacancy. The vacancy rate increased from 29% in FY 2021 to 38% in FY 2022. Major renovations to vacant units were planned in two phases. Twenty-three (23) units at Lada Gardens were under major renovations in FY 2022 for the first phase. Another 15 units at Lada Gardens and the 2 apartment buildings at Guma As-Atdas were identified for major renovations in phase two.

Interest Income and Loss on Investment Held by Bond Trustee

Interest income and loss on investment held by bond trustee decreased by \$28K from \$3K in FY 2021 to a loss of \$25K in FY 2022 due to the decrease in the principal balance of the investments from \$1M in FY 2021 to \$619K in FY 2022 and the decrease in market value of \$43K in FY 2022. In FY 2022, the decrease in market value was greater than interest earned on the account which resulted in a loss on investment and is recorded under expense.

Amortization of Right-of-Use Asset

Due to the implementation of GASB Statement No. 87 in FY 2022, leases over one year should be recorded as a right-of-use asset and a lease liability and amortized over the term of the lease. The first five months of the office lease, the first four months of two copier leases and the last two months of one copier lease fell under this category in FY 2022. The amortization of right-of-use assets totaled \$43K.

Rent Expense

Rent expense decreased by 34% or \$36K from \$105K in FY 2021 to \$69K in FY 2022 due to the implementation of GASB Statement No. 87. The first five months of FY 2022 were part of a two year lease agreement. Therefore, the expenses for those first five months were included in the amortization of right-of-use asset and interest expense for lease liability.

Other Expense

Other expense decreased by 16%, or \$11K, from \$70K in FY 2021 to \$58K in FY 2022 due to the disbursements of 6 grants for the Mortgage Relief Program (MRP) totaling \$18K in FY 2021. The MRP program ended in FY 2021.

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Management's Discussion and Analysis, continued

E. Future Events

GHC continues to pursue its mission despite numerous challenges. GHC's ability to secure lending capital at affordable rates would be its immediate concern to achieve many of its goals.

Guam Housing Corporation has established the following goals to complete in FY 2023:

1. Complete the renovation of 23 identified rental units at Lada Gardens. A contract of \$1,444,635 was awarded to complete major renovations to 23 rental units located at the Lada Gardens property with the Department of Public Works (DPW) as the construction manager.
2. Begin major renovations to an additional 15 units at Lada Gardens and 24 units (2 buildings) at Guma As-Atdas. Of the estimated \$3,828,000 required to complete the renovations, GHC has received partial funding of \$1,547,000 in American Rescue Plan funds. Upon identification of the remaining \$2,281,000 in funding, GHC will work with DPW to package the bid and award the contract.
3. Continue the work as a member of the Governor's Interagency Council on Homelessness. Together with the council, GHC will examine challenges associated with homelessness and develop and implement strategies and programs for a coordinated, effective response to homelessness in Guam.
4. Upon completion of renovations of identified units, apply for a FEMA mitigation grant to support the installation of typhoon shutters for housing units at Lada Gardens.

F. Contacting the Corporation's Financial Management

The Management 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 (671) 647-4143, 590 S. Marine Corps Drive, Suite 514 ITC Building, Tamuning, Guam 96931 or visit the website at www.guamhousing.org.

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

Statement of Net Position

September 30, 2022

Assets

Current assets:

Unrestricted assets:

Cash and cash equivalents <i>(Note 2)</i>	\$ 4,447,194
Time certificate of deposits <i>(Note 2)</i>	1,428,000
Self-insurance fund <i>(Notes 2 and 8)</i>	956,369
Loans receivable, net <i>(Note 3)</i>	919,574
Tenants receivable, net	24,834
Accrued interest receivable	21,268
Prepaid expenses and other	59,610
Foreclosed assets held for resale <i>(Note 5)</i>	<u>102,082</u>

Total unrestricted assets 7,958,931

Restricted assets:

Cash and cash equivalents <i>(Note 2)</i>	5,232,076
Time certificate of deposits <i>(Note 2)</i>	289,000
Investments <i>(Note 2)</i>	<u>619,141</u>

Total restricted assets 6,140,217

Total current assets 14,099,148

Loans receivable, net <i>(Note 3)</i>	21,048,941
Depreciable capital assets <i>(Note 4)</i>	3,595,386
Non-depreciable capital assets <i>(Note 4)</i>	<u>2,934,227</u>

Total assets 41,677,702

Deferred outflows of resources

Pension <i>(Note 7)</i>	634,561
Other postemployment benefits <i>(Note 7)</i>	<u>1,767,803</u>
Total deferred outflows of resources	<u>2,402,364</u>

Total assets and deferred
outflows of resources \$ 44,080,066

See accompanying notes.

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

Statement of Net Position, continued

September 30, 2022

Liabilities

Current liabilities:

Payable from unrestricted assets:

Accounts payable and accrued expenses	\$ 107,597
Current portion of accrued compensated absences (<i>Notes 7 and 9</i>)	103,248
Unearned revenue	65,276
Lease liabilities	551
Due to fiduciary fund	<u>8,175</u>

Total payable from unrestricted assets 284,847

Payable from restricted assets:

Deferred revenue	1,547,000
Bonds payable (<i>Notes 6 and 9</i>)	245,000
Accrued interest payable	13,393
Security deposits	49,820
Deposits by borrowers - insurance premiums and real estate taxes	664,865
Rebate liability (<i>Note 6</i>)	<u>87,314</u>

Total payable from restricted assets 2,607,392

Total current liabilities 2,892,239

Non-current liabilities:

Payable from unrestricted assets:

Non-current portion of accrued compensated absences (<i>Notes 7 and 9</i>)	127,781
Net pension liability (<i>Notes 7 and 9</i>)	3,308,501
Lease liabilities	2,404
Total collective other postemployment benefit liability (<i>Notes 7 and 9</i>)	7,696,588

Payable from restricted assets - Bonds payable (*Notes 6 and 9*) 2,550,000

Total non-current liabilities 13,685,274

Total liabilities 16,577,513

Deferred inflows of resources

Pension (*Note 7*) 480,202

Other postemployment benefits (*Note 7*) 2,903,653

Total deferred inflows of resources 3,383,855

Commitments and contingencies (*Note 8*)

Net position:

Net investment in capital assets 6,529,613

Restricted for lending activities 3,259,391

Unrestricted 14,329,694

Total net position \$ 24,118,698

See accompanying notes.

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

Statement of Revenues, Expenses and Changes in Net Position

Year ended September 30, 2022

Operating revenues:	
Interest income on loans receivable	\$ 1,190,789
Rental income	821,831
Miscellaneous revenues	161,062
Interest income on deposits	13,698
Total operating revenues	2,187,380
Operating expenses:	
Salaries	1,235,379
Retirement and Medicare contributions	195,972
Interest expense on borrowings	169,793
Depreciation and amortization <i>(Note 4)</i>	150,733
Employee benefits, other than retirement	120,336
Professional services	102,519
Rent <i>(Note 8)</i>	69,312
Contractual services	66,618
Other	58,462
Maintenance	48,049
Amortization of right-of use asset	42,988
Loss on investments held by bond trustees	25,034
Bond trustee fees	16,000
Director fees	2,300
Interest expense on lease liability	774
Retiree supplemental and health benefits	(480,425)
Total operating expenses	1,823,844
Increase in net position	363,536
Net position at beginning of year	23,755,162
Net position at end of year	\$ 24,118,698

See accompanying notes.

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

Statement of Fiduciary Net Position

September 30, 2022

	<u>Custodial Funds</u>
Assets:	
Cash	\$ 665,648
Loan receivable	1,752,612
Investments	529,000
Other receivables	<u>8,620</u>
Total asset	<u>2,955,880</u>
 Liability:	
Accounts Payable and Accrued Expenses	<u>7,776</u>
 Net position:	
Restricted for lending activities	<u>\$ 2,948,104</u>

Statement of Changes in Fiduciary Net Position

Year ended September 30, 2022

Additions	
Transfers from Department of Administration	\$ 813,096
Interest income	2,996
Miscellaneous	<u>58,287</u>
	<u>874,379</u>
 Deductions	
Benefits paid to participants	637,970
Administrative expense	<u>63,662</u>
	<u>701,632</u>
Net change in fiduciary assets	172,747
Beginning balance of fiduciary net position	<u>2,775,357</u>
Ending balance of fiduciary net position	<u>\$ 2,948,104</u>

See accompanying notes.

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

Statement of Cash Flows

Year ended September 30, 2022

Cash flows from operating activities:	
Cash received from customers	\$ 2,314,297
Others	172,001
Cash received from DOA	1,547,000
Cash paid to suppliers for goods and services	(388,890)
Cash paid to employees	(<u>1,902,882</u>)
Net cash provided by operating activities	<u>1,741,526</u>
Cash flows from investing activities - Acquisition of capital assets	
	(<u>942,397</u>)
Cash flows from investing activities:	
Increase in time certificate of deposits	(1,717,000)
Decrease in self-insurance fund	214,077
Decrease in investments	<u>417,268</u>
Net cash used in investing activities	(<u>1,085,655</u>)
Cash flows from noncapital financing activities:	
Repayment of bonds payable	(235,000)
Increase of rebate liability	2,642
Interest paid on bonds payable	(<u>170,919</u>)
Net cash used in noncapital financing activities	(<u>403,277</u>)
Net decrease in cash and cash equivalents	(689,803)
Cash and cash equivalents at beginning of year	<u>10,369,073</u>
Cash and cash equivalents at end of year	<u><u>\$ 9,679,270</u></u>
Consisting of:	
Unrestricted	\$ 4,447,194
Restricted	<u>5,232,076</u>
	<u><u>\$ 9,679,270</u></u>

See accompanying notes.

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

Statement of Cash Flows, continued

Year ended September 30, 2022

Reconciliation of change in net position to net cash provided by operating activities:

Increase in net position	\$ 363,536
Adjustments to reconcile increase in net position to net cash provided by operating activities:	
Non-cash pension costs	205,909
Non-cash other postemployment benefit cost	(487,390)
Interest expense on borrowings reported as operating expenses	169,793
Depreciation and amortization	193,721
Provision for doubtful rental receivables	19,597
Reversal of loan losses	(8,112)
Interest expense on investments held by bond trustees reported as non-operating expenses	25,034
Decrease (increase) in assets:	
Loans receivable, net	147,536
Tenants receivable, net	(34,035)
Accrued interest receivable	2,013
Prepaid expenses and other assets	15,970
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	(13,969)
Accrued compensated absences	5,304
Unearned revenue	(1,848)
Lease liabilities	(45,156)
Due to fiduciary fund	8,091
Deferred revenue	1,547,000
Security deposits	(2,760)
Deposits by borrowers - insurance premiums and real estate taxes	184,435
Net pension liability	(372,893)
Total collective other postemployment benefit liability	(180,250)
Net cash provided by operating activities	<u>\$ 1,741,526</u>

Supplemental disclosure of cash flow information:

Cash paid for interest expense during the year	<u>\$ 170,919</u>
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See accompanying notes.

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

Notes to Financial Statements

Year ended September 30, 2022

1. Organization and Summary of Significant Accounting Policies

Organization

Guam Housing Corporation (the Corporation or primary government), 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 interest on its loans and rent from its tenants. 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.

Government-wide Financial Statements

The government-wide financial statements consist of the statement of net position and statement of revenues, expenses and changes in net position. Fiduciary activities are not included in the government-wide financial statements.

Fiduciary Fund Financial Statements

Separate financial statements are provided for fiduciary funds. Fiduciary fund financial statements include assets for which the Corporation has been legally designated to control but the Corporation itself is not a beneficiary. These custodial activities include:

- The Housing Trust Fund and the related First-time Homeowner's Assistance Program (FTHAP).
- The Community Affordable Housing Action Trust (CAHAT) and Foreclosure Protection Fund and the related Interest-Free Loan Program - The CAHAT and Foreclosure Protection Fund programs were funded by appropriations received from the Government of Guam (GovGuam) through Public Law 21-99.
- The Down Payment and Closing Cost Assistance Program (DPCCA) - 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 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 are remitted monthly.

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

Basis of Accounting

The government-wide financial statements and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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.

Net Position

Net position represents the residual of all other elements presented in the statement of net position and is presented in the following categories:

Net investment in capital assets

The 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 also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount should not be included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflow of resources should be included in the same net position component (restricted or unrestricted) as the unspent amount.

Restricted for lending activities

Nonexpendable – Net position subject to externally imposed stipulations that require the Corporation to maintain them permanently.

Expendable – Net position whose use by the Corporation is subject to externally imposed stipulations that can be fulfilled by actions of the Corporation pursuant to those stipulations or that expire with the passage of time.

All of the Corporation's restricted net position at September 30, 2022 is expendable.

Unrestricted

The unrestricted component of net position is the net amount of the assets and liabilities that are not included in the determination of net investment in capital assets or the restricted components of net position.

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

Cash and Cash Equivalents

For purposes of the statement of net position and the statement of cash flows, cash and cash equivalents is defined as cash on hand, deposits in banks and time certificates of deposit with original maturities of three months or less.

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. The loan limit for FY2022 is \$420,680 for single-unit dwellings.

The Corporation accepts loan applications only for single-unit dwellings. Public Law 26-123 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. The current interest rate for this program is 2% above the prevailing rate charged by local lenders.

Loans receivable are stated at principal amount outstanding less allowance for loan and lease losses. 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 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.

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.

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

Capital Assets, continued

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 Capital Assets

In accordance with GASB Statement No. 42 *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* the Corporation evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred.

A capital asset generally should be considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstances is outside the normal life cycle of the capital asset. Impaired capital assets that will no longer be used are reported at the lower of carrying value or fair value.

Investments

Investments and related investment earnings are recorded at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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.

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

Compensated Absences, continued

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.

Pensions

Pensions are required to be recognized and disclosed using the accrual basis of accounting. The Corporation recognizes a net pension liability for the pension plan in which it participates, which represents the Corporation's proportionate share of total pension liability (actuarially calculated) over the pension plan assets, measured as of the fiscal year end. Changes in the net pension liability during the period are recorded as pension expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change, in the period incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

Other Post-employment Benefits

Other post-employment benefits (OPEB) are required to be recognized and disclosed using the accrual basis of accounting. The Corporation recognizes a total collective OPEB liability for the OPEB plan in which it participates, which represents the Corporation's proportionate share of total collective OPEB liability (actuarially calculated) measured as of the fiscal year end. Changes in the total collective OPEB liability during the period are recorded as OPEB expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change, in the period incurred.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. As required by GASB Statements No. 68, 71, 73 and 75 the Corporation reports deferred outflows of resources for pension-related and OPEB related amounts: payments since the measurement date, changes in assumptions, and for difference between projected and actual earnings.

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

Deferred Outflows/Inflows of Resources, continued

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period and so will not be recognized as an inflow of resources until then. As required by GASB Statements No. 68 and 75, the Corporation reports deferred inflows of resources for pension-related and OPEB related amounts: for its share of the difference between expected and actual earnings, for its share of the difference between its contributions and its proportionate share of contributions, and for the difference between expected and actual experience. The Corporation also reports deferred inflows of resources for the difference between the carrying amount and the reacquisition price of refunded bonds.

Operating and Non-operating Revenue and Expenses

The Corporation was created with the authority to invest in and develop low cost housing and provide low cost housing rental units. The primary operating revenues are the interest income on outstanding loans receivable and income from rental properties. The primary operating expenses include interest on borrowings, property maintenance, and general and administrative expenses directly related to the operations. Non-operating revenues and expenses result from financing activities and certain other non-recurring income and expenses.

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 2017, GASB issued Statement No, 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract.

The implementation of this statement did not have a material effect on the accompanying financial statements.

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

Upcoming Accounting Pronouncements

In May 2019, GASB issued Statement No. 91, *Conduit debt obligations*. The primary objectives of this statement are to provide a single method reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. GASB Statement No. 91 will be effective for fiscal year ending September 30, 2023.

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. GASB Statement No. 94 will be effective for fiscal year ending September 30, 2023.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. GASB Statement No. 96 will be effective for fiscal year ending September 30, 2023.

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

Upcoming Accounting Pronouncements, continued

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. Consistent authoritative literature enables governments and other stakeholders to more easily locate and apply the correct accounting and financial reporting provisions, which improves the consistency with which such provisions are applied. The comparability of financial statements also will improve as a result of this Statement. Better consistency and comparability improve the usefulness of information for users of local government financial statements. GASB Statement No. 99 will be effective for fiscal year ending September 30, 2023.

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision useful, understandable, and comprehensive information for users about accounting changes and error corrections. GASB Statement No. 100 will be effective for fiscal year ending September 30, 2024.

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The unified recognition and measurement model in this Statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave. The model also will result in a more robust estimate of the amount of compensated absences that a government will pay or settle, which will enhance the relevance and reliability of information about the liability for compensated absences. GASB Statement No. 101 will be effective for fiscal year ending September 30, 2025.

The Corporation is currently evaluating the effects the above upcoming accounting pronouncements might have on its financial statements.

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

Subsequent Events

The Corporation has evaluated subsequent events through August 18, 2023, which is the date the financial statements were available to be issued.

On May 24, 2023, the island of Guam suffered severe damages caused by super typhoon Mawar. As of date of this report, the Corporation is unable to reasonably estimate super typhoon Mawar's impact on its future financial statements.

2. Cash and Cash Equivalents, Self-Insurance Fund and Investments

At September 30, 2022, bank deposits were comprised of the following:

<i>Primary Government</i>	
FDIC Insured	\$ 3,556,836
Uncollateralized	<u>8,795,803</u>
Total deposits	<u>\$ 12,352,639</u>
 <i>Fiduciary Fund</i>	
FDIC Insured	\$ 780,501
Uncollateralized	<u>414,147</u>
Total deposits	<u>\$ 1,194,648</u>

These deposits were insured up to \$250,000 per bank by the Federal Deposit Insurance Corporation (FDIC). The Corporation does not require collateralization of its cash deposits.

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

Notes to Financial Statements, continued

2. Cash and Cash Equivalents, Self-Insurance Fund and Investments, continued

Cash and cash equivalents, and investments at September 30, 2022 are restricted as follows:

Restricted cash and cash equivalents:	
Revolving Loan Fund	\$2,791,821
American Reserve Plan funds for renovation	1,547,000
Trust fund and borrower's deposits	346,449
Hazard Mitigation Program	163,227
Tenant security deposits	382,069
First-Time Homeowners Assistance Program (GHC's funds)	<u>1,510</u>
 Total restricted cash and cash equivalents	 5,232,076
 Restricted investments - Held by Bond Trustees	 619,141
 Restricted time certificate of deposits	 <u>289,000</u>
 Total restricted cash, cash equivalents, time certificate of deposits, and investments	 <u>\$6,140,217</u>

The restricted cash, cash equivalents and investments are restricted for specific uses as required in 12 GCA Chapter 4 §4108 for Revolving Loan Fund and related trust fund. The Corporation places self-imposed restrictions on tenant security deposits and borrower's deposits.

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. 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 FDIC. 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 requirements of the mortgage revenue bond indenture.

At September 30, 2022, the Corporation's restricted investments held by trustee are as follows:

	<u>Moody's Credit Rating</u>	<u>2022</u>
Federal Home Loan		
Mortgage Corporation	Aaa	\$240,465
Blackrock Liquidity T-Fund	Aaa	<u>378,676</u>
		<u>\$619,141</u>

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

Notes to Financial Statements, continued

2. Cash and Cash Equivalents, Self-Insurance Fund and Investments, continued

The maturities of the Corporation’s restricted investments at September 30, 2022 were:

	Investment Maturities (In Years)				Total
	Less than 1	1 to 5	6 to 10	Greater than 10	
Federal Home Loan Mortgage Corporation	\$ ---	\$ ---	\$ ---	\$240,465	\$240,465
Blackrock Liquidity T-Fund	<u>378,676</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>378,676</u>
	<u>\$378,676</u>	<u>\$---</u>	<u>\$---</u>	<u>\$240,465</u>	<u>\$619,141</u>

Custodial credit risk is the risk that the Corporation will not be able to recover the value of investments or collateral securities held by a third-party custodian, in the event that the custodian defaults. 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, 2022.

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.

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.

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

Notes to Financial Statements, continued

2. Cash and Cash Equivalents, Self-Insurance Fund and Investments, continued

Investments Measured at Fair Value

The Corporation categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The following tables set forth by fair value hierarchy level the Corporation's assets carried at fair value:

	At September 30, 2022			
	Level 1	Level 2	Level 3	Level 3
Investments by fair value level:				
Debt security -Federal Home Loan Mortgage Corporation (FHLMC)	\$ 240,465	\$ ---	\$ 240,465	\$ ---
Equity security - Blackrock Liquidity T-Fund	<u>378,676</u>	<u>378,676</u>	<u>---</u>	<u>---</u>
Total investments by fair value level	<u>\$ 619,141</u>	<u>\$ 378,676</u>	<u>\$ 240,465</u>	<u>\$ ---</u>

3. Loans Receivable

At September 30, 2022, loans receivable of the Corporation are as follows:

Unrestricted	\$22,452,620
Less: Allowance for loan and lease losses	<u>484,105</u>
	21,968,515
Less: Current portion	<u>919,574</u>
	<u>\$21,048,941</u>

Loans to employees totaled \$318,275 at September 30, 2022. These loans meet the same criteria as all real estate loans made to non-related individuals by the Corporation. At September 30, 2022, loans and other receivables in arrears three months or more or referred to an attorney for collection totaled \$1,562,772.

Guam Housing Corporation
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Notes to Financial Statements, continued

4. Capital Assets

A summary of changes in net capital assets for the year ended September 30, 2022 is as follows:

	Beginning Balance October 1, <u>2021</u>	Transfers-in and <u>Additions</u>	Transfers-out and <u>Disposals</u>	Ending Balance September 30, <u>2022</u>
Capital assets depreciated and amortized:				
Buildings and improvements	\$6,993,559	\$ ---	\$ ---	\$6,993,559
Office furniture and equipment	317,831	---	---	317,831
Vehicles	157,615	---	---	157,615
Land improvements	64,749	---	---	64,749
Leasehold improvements	29,445	---	---	29,445
Lease assets	---	45,931	(42,887)	3,044
Other – renovations in progress	---	<u>944,576</u>	---	<u>944,576</u>
Total capital assets	7,563,199	990,507	(42,887)	8,510,819
depreciated and amortized				
Less accumulated depreciation and amortization	<u>(4,764,599)</u>	<u>(193,721)</u>	<u>42,887</u>	<u>(4,915,433)</u>
Net capital assets depreciated and amortized	2,798,600	796,786	---	3,595,386
Capital asset not depreciated and amortized - land	<u>2,934,227</u>	---	---	<u>2,934,227</u>
	<u>\$5,732,827</u>	<u>\$ 796,786</u>	<u>\$ ---</u>	<u>\$6,529,613</u>

5. Foreclosed Assets Held for Resale

A summary of the activities in the foreclosed assets held for resale as of September 30, 2022 is as follows:

Foreclosed assets held for resale at beginning of year	\$ ---
Acquisition during the year	102,082
Foreclosed assets sold during the year	<u>---</u>
	<u>\$ 102,082</u>

At September 30, 2022, foreclosed assets held for resale represent a residential unit acquired by the Corporation due to the borrowers' default on their mortgages.

Guam Housing Corporation
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Notes to Financial Statements, continued

6. Mortgage Revenue Bonds Payable

	<u>October 1,</u> <u>2021</u>	<u>Payments</u>	<u>September 30,</u> <u>2022</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
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 \$115,000 to \$190,000	<u>3,030,000</u>	<u>235,000</u>	<u>2,795,000</u>	<u>245,000</u>
	<u>\$ 3,030,000</u>	<u>\$ 235,000</u>	<u>\$ 2,795,000</u>	<u>\$ 245,000</u>

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.

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, 2022, the rebate liability totaled \$87,314, as reported in the accompanying statement 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.

Guam Housing Corporation
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Notes to Financial Statements, continued

6. 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, 2022.

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

Year ending September 30,	Principal	Interest	Total
2023	\$ 245,000	\$ 157,263	\$ 402,263
2024	260,000	142,888	402,888
2025	275,000	127,794	402,794
2026	295,000	111,694	406,694
2027	305,000	94,588	399,588
2028 to 2031	1,415,000	188,600	1,603,600
	\$ 2,795,000	\$ 822,827	\$ 3,617,827

7. Employee Benefits

General Pension Plan Descriptions

Defined Benefit Plan (DB Plan)

The DB Plan is a single-employer plan. A single actuarial valuation is performed annually covering all plan members and the same contribution rate applies to each employer. The Government of Guam Retirement Fund (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.

In accordance with Public Law 33-186, the Defined Benefit 1.75 Plan became effective January 1, 2018. Members of the DB 1.75 Plan also automatically participate in the GovGuam deferred compensation plan, pursuant to which employees are required to contribute 1% of base salary as a pre-tax mandatory contribution.

The DB Plan is administered by the GGRF, to which the Corporation contributes based upon a fixed percentage of the payroll for those employees who are members of the Plan.

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

Notes to Financial Statements, continued

7. Employee Benefits, continued

General Pension Plan Descriptions, continued

Defined Benefit Plan (DB Plan), continued

Membership: Employees of the Corporation hired before September 30, 1995 are under the Government of Guam Employees Retirement System, the DB Plan. 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 Defined Contribution Retirement System (DCRS). Otherwise, they remained under the old plan.

The DB 1.75 Plan is open for participation by certain existing employees, new employees and reemployed employees who would otherwise participate in the DCRS and who make election on a voluntary basis to participate in the DB 1.75 plan by December 31, 2017.

Contributions: 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.

The Corporation's statutory contribution rates were 28.32% for the year ended September 30, 2022. Employees are required to contribute 9.5% of their annual pay for the year ended September 30, 2022.

Benefits: The DB Plan provides pension benefits to retired employees generally based on age and/or years of credited service and an average of the three highest annual salaries received by a member during years of credited service, or \$6,000, whichever is greater.

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

Notes to Financial Statements, continued

7. Employee Benefits, continued

General Pension Plan Descriptions, continued

Defined Benefit Plan (DB Plan), continued

Actuarial Assumptions: The actuarial assumptions used are based upon recommendations from the actuarial experience study for the period October 1, 2011 through September 30, 2015. A summary of actuarial assumptions applied to all periods included in the measurement is shown below.

Actual cost method:	Entry age normal
Valuation of assets:	3-year phase in gain/losses relative to interest rate assumption.
Investment income:	7.0% per year
Total payroll growth:	2.75%
Salary increases:	Graduated based on service with the GovGuam ranging from 4.0% for service in excess of 15 years to 7.5% for service from zero to five years.
Disability:	1974-78 SOA LTD Non-Jumbo, with rates reduced by 50% for males and 75% for females.
Retirement age:	50% of probability of retirement at earliest age of eligibility for unreduced retirement benefits; 20% per year thereafter until age 75, 100% at age 75.
Return of contributions:	100% withdrawing before retirement with less than 20 years of service assumed to elect a return of contributions. Contributions earn 4.5% interest.
Mortality:	Based on the RP-2000 combined mortality table, set forward 3 years for males and 2 years for females.
Amortization method:	Level percentage of payroll, closed.

Guam Housing Corporation
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Notes to Financial Statements, continued

7. Employee Benefits, continued

General Pension Plan Descriptions, continued

Defined Benefit Plan (DB Plan), continued

Discount Rate: The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Expected Remaining Service Lives: Under GASB Statement No. 68, gains and losses that are deferred and amortized over future periods are presented as deferred inflows or gains, and deferred outflows or losses. Economic and demographic gains and losses and changes in the total pension liability due to changes in assumptions are recognized over a closed period equal to the average expected remaining services lives of all covered active and inactive members, determined as of the beginning of the measurement period. The amortization period was calculated at 3.3 years in the 2019 valuation, at 3.1 years in the 2020 valuation and at 2.9 years in the 2021 valuation. The amortization period is calculated as the weighted average of expected remaining service lives assuming zero years for all inactive members.

Expected Rate of Return and Asset Allocation: The Fund has a target asset allocation based on the investment policy adopted by the GGRF Board of Trustees. The target allocation and best estimates of the expected nominal return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Nominal Return</u>	<u>Component Return</u>
U.S. Equities (large cap)	26.0%	7.44%	1.93%
U.S. Equities (small cap)	4.0%	9.23%	0.37%
Non-U.S. Equities	17.0%	9.28%	1.58%
Non-U.S. Equities (emerging markets)	3.0%	11.32%	0.34%
U.S. Fixed Income (aggregate)	22.0%	3.89%	0.86%
Risk Parity	8.0%	5.92%	0.47%
High Yield Bonds	8.0%	6.42%	0.51%
Global Real Estate (REITs)	2.5%	8.55%	0.21%
Global Equity	7.0%	8.20%	0.57%
Global Infrastructure	2.5%	7.58%	0.19%
Expected average return for one year			7.04%
Expected geometric mean (30 years)			6.36%

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

Notes to Financial Statements, continued

7. Employee Benefits, continued

General Pension Plan Descriptions, continued

Defined Benefit Plan (DB Plan), continued

The investment rate of return assumption of 7.0% is about equal to the average arithmetic return for one year, but higher than the expected geometric mean over 30 years. The geometric mean is lower than the arithmetic mean due to the expected volatility of investments. If investments fail to achieve the assumed interest rate, future required contributions will increase.

Ad Hoc COLA/Supplemental Annuity (COLA/SA) Plan for DB Participants

Members of the DB Plan also receive ad hoc cost of living allowance and supplemental annuity benefits that are appropriated yearly by the Guam Legislature. Those benefits are deemed to be substantively automatic, requiring reporting under GASB Statement No. 73. The Ad Hoc COLA/SA Plan for DB Participants is a single-employer plan. A single actuarial valuation is performed annually covering all plan members. GGRF issues a publicly available financial report that includes financial statements and required supplementary information for the Ad Hoc COLA/SA Plan for DB Participants. 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.

Membership: The plan membership is the same as the DB Plan described above.

Benefits: The supplemental annuity is an amount which, when added to a retiree's annuity increases the annual annuity up to \$40,000.

The COLA payment is \$2,000 per DB retiree.

Contributions: The Corporation's contribution to the supplemental annuity portion of the Plan, when added to a retiree's annuity, increases the annual annuity to \$40,000.

The Corporation's contribution to the COLA payment of the Plan is \$2,000 per DB retiree.

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

Notes to Financial Statements, continued

7. Employee Benefits, continued

General Pension Plan Descriptions, continued

Ad Hoc COLA/Supplemental Annuity (COLA/SA) Plan for DB Participants, continued

Actuarial Assumptions: The actuarial assumptions used are based upon recommendations from the actuarial experience study for the period October 1, 2011 through September 30, 2015. A summary of actuarial assumptions applied to all periods included in the measurement is shown below.

Actuarial cost method:	Entry age normal
Total payroll growth:	2.75%
Salary increases:	Graduated based on service with the GovGuam ranging from 4.0% for service in excess of 15 years to 7.5% for service from zero to five years.
Disability:	1974-78 SOA LTD Non-Jumbo, with rates reduced by 50% for males and 75% for females.
Retirement age:	50% of probability of retirement at earliest age of eligibility for unreduced retirement benefits; 20% per year thereafter until age 75, 100% at age 75.
Mortality:	Based on the RP-2000 combined mortality table, set forward 3 years for males and 2 years for females.
Amortization method:	Level percentage of payroll, closed.

Discount Rate: The discount rate used to measure the Ad Hoc COLA/SA was a municipal bond rate of 2.26% for the year ended September 30, 2022. This rate was used as the benefits are not funded with the accumulated assets; they are funded historically through appropriations from the Government of Guam.

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

Notes to Financial Statements, continued

7. Employee Benefits, continued

General Pension Plan Descriptions, continued

Ad Hoc COLA Plan for Defined Contribution Retirement System (DCRS) Participants

The DCRS is administered by the GGRF. Members of DCRS receive ad hoc cost of living allowance (COLA) that are appropriated yearly by the Guam Legislature. Those benefits are deemed to be substantively automatic, requiring reporting under GASB Statement No. 73. The Ad Hoc COLA Plan for DCRS Participants is a single-employer plan. A single actuarial valuation is performed annually covering all plan members. GGRF issues a publicly available financial report that includes financial statements and required supplementary information for the Ad Hoc COLA Plan for DCRS Participants. 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.

Membership: Employees hired after September 30, 1995, are members of the DCRS.

Benefits: Ad Hoc COLA Plan for DCRS participants are the same as those for DB Participants.

Contributions: The Corporation's contribution to the COLA payment of the Plan is \$2,000 per DCRS retiree.

Actuarial Assumptions: The actuarial assumptions used are based upon recommendations from the actuarial experience study for the period October 1, 2011 through September 30, 2015. A summary of actuarial assumptions applied to all periods included in the measurement is shown below.

Actuarial cost method:	Entry age normal
Total payroll growth:	2.75%
Salary increases:	Graduated based on service with the GovGuam ranging from 4.0% for service in excess of 15 years to 7.5% for service from zero to five years.
Disability:	1974-78 SOA LTD Non-Jumbo, with rates reduced by 50% for males and 75% for females.
Retirement age:	5% per year from age 55 to 64, 10% per year from age 65 to 74, 100% at age 75.
Mortality:	Based on the RP-2000 combined mortality table, set forward 3 years for males and 2 years for females.
Amortization method:	Level percentage of payroll, closed.

Discount Rate: The discount rate is the same as that used in the Ad Hoc COLA/SA Plan for DB Participants.

Guam Housing Corporation
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Notes to Financial Statements, continued

7. Employee Benefits, continued

Pension liabilities, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

Net pension liability at the fiscal year presented for the aforementioned plans were measured on and was determined by actuarial valuations as of the following dates:

Reporting date	September 30, 2022
Measurement date:	September 30, 2021
Valuation date:	September 30, 2020

Net pension liability as of September 30, 2022 for the aforementioned plans are as follows:

DB Plan	\$2,231,269
Ad hoc COLA/SA Plan for DB Participants	723,904
Ad hoc COLA Plan for DCRS Participants	<u>353,328</u>
	<u>\$3,308,501</u>

Proportionate share of net pension liabilities at September 30, 2022 for the aforementioned plans are as follows:

DB Plan	0.23%
Ad hoc COLA/SA Plan for DB Participants	0.23%
Ad hoc COLA Plan for DCRS Participants	0.50%

Pension expense for the year ended September 30, 2022 for the aforementioned Plans are as follows:

DB Plan	\$ 98,798
Ad hoc COLA/SA Plan for DB Participants	69,883
Ad hoc COLA Plan for DCRS Participants	<u>37,228</u>
	<u>\$205,909</u>

Guam Housing Corporation
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Notes to Financial Statements, continued

7. Employee Benefits, continued

Pension liabilities, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions, continued

As of September 30, 2022, the Corporation reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred outflows of resources at September 30, 2022, resulting from the Corporation's employer contributions for the following plans are as follows:

	DB Plan		COLA/SA Plan for DB Participants		COLA Plan for DCRS Participants	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,581	\$(22,687)	\$ ---	\$(10,057)	\$ 38,856	\$(6,881)
Net difference between projected and actual earnings on pension plan investments	---	(269,536)	---	---	---	---
Corporation's contributions subsequent to the measurement date	308,345	---	54,952	---	12,000	---
Changes in assumption	---	---	19,725	(2,147)	71,766	(23,305)
Changes in proportion and difference between the Corporation's contributions and proportionate share of contributions	---	(39,923)	20,994	(50,406)	104,342	(55,260)
	<u>\$ 311,926</u>	<u>\$(332,146)</u>	<u>\$ 95,671</u>	<u>\$(62,610)</u>	<u>\$ 226,964</u>	<u>\$(85,446)</u>

Deferred outflows of resources at September 30, 2022, resulting from the Corporation's employer contributions for the following plans are as follows:

DB Plan	\$308,345
Ad hoc COLA/SA Plan for DB Participants	54,952
Ad hoc COLA Plan for DCRS Participants	<u>12,000</u>
	<u>\$375,297</u>

Guam Housing Corporation
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Notes to Financial Statements, continued

7. Employee Benefits, continued

Pension liabilities, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions, continued

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2023	\$(31,564)
2024	(55,451)
2025	(82,295)
2026	(92,575)
2027	9,872
Thereafter	<u>31,075</u>
	\$(<u>220,938</u>)

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

Sensitivity analysis: The following presents the net pension liability calculated using a discount rate that is one percentage point (1.0%) lower or 1% higher than the current rate:

DB Plan

	1% Decrease <u>6.00%</u>	Current Discount <u>7.00%</u>	1% Increase <u>8.00%</u>
Net pension liability	\$ <u>2,817,270</u>	\$ <u>2,231,269</u>	\$ <u>1,505,488</u>

Ad Hoc COLA/SA for DB Participants

	1% Decrease <u>1.26%</u>	Current Discount <u>2.26%</u>	1% Increase <u>3.26%</u>
Total collective pension liability	\$ <u>793,873</u>	\$ <u>723,904</u>	\$ <u>662,822</u>

Ad Hoc COLA for DCRS Participants

	1% Decrease <u>1.26%</u>	Current Discount <u>2.26%</u>	1% Increase <u>3.26%</u>
Total collective pension liability	\$ <u>401,098</u>	\$ <u>353,328</u>	\$ <u>312,572</u>

Detailed information about the DB Plan's fiduciary net position is available in the separately issued GGRF financial report.

Guam Housing Corporation
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Notes to Financial Statements, continued

7. Employee Benefits, continued

DCRS

The DCRS was created by Public Law 23-42:3 to provide an individual account retirement system for any person who is employed by the Government of Guam on or before October 1, 1995. Contributions into the DCRS, by members are based on an automatic deduction of 6.2% 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 year ended September 30, 2022 are determined using the same rates as the DB plan. Of the amount contributed by the employer, only 6.2% 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.

During the year ended September 30, 2022, contributions made and amounts accrued under the DCRS amounted to \$169,389.

Employee contributions are made by mandatory pre-tax payroll deduction at the rate of 6.2% of the employee's base salary while employer contributions are actuarially determined.

Other Post-employment Benefit (OPEB) Plan

OPEB Plan Description

GovGuam, through its substantive commitment to provide other post-employment benefits (OPEB), maintains a single employer defined benefit plan to provide certain post-retirement healthcare benefits to retirees who are members of the GGRF known as the GovGuam Group Health Insurance Program. GovGuam issues a publicly available financial report that includes financial statements and required supplementary information for the OPEB Plan. That report may be obtained by writing to the Government of Guam Department of Administration, Suite 224, 2nd Floor, ITC Building, 590 South Marine Corps Drive, or by visiting the Guam Department of Administration website – <https://da.doa.guam.gov/reports/guam-other-post-employment-benefits-opeb-reports>.

Membership: All employees of the Corporation who are members of the GGRF are members of the OPEB Plan.

Contributions: The Corporation is invoiced a portion of the medical and dental premiums. Retirees are required to pay a portion of the medical and dental insurance premiums.

Guam Housing Corporation
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Notes to Financial Statements, continued

7. Employee Benefits, continued

OPEB Plan, continued

OPEB Plan Description, continued

Benefits: GovGuam provides postemployment medical, dental and life insurance benefits to retirees, spouses, children and survivors. Active employees and retirees who waive medical and dental coverage are considered eligible for the life insurance benefit only.

Actuarial Assumptions: A summary of actuarial assumptions applied to all periods included in the measurement is shown below:

Inflation:	2.75%
Healthcare cost trend rate:	19 percent and 31 percent for 2021 Non-Medicare and Medicare plans, respectively. 6 percent for 2022 through 2023, decreasing 0.25 percent per year to an ultimate rate of 4.25 percent for 2030 and later years.
Dental trend rates:	4.25% per year, based on a blend of historical retiree premium rate increases as well as observed U.S. national trends.
Healthy retiree mortality rates:	Head-count weighted PUB-2010 Table, set forward 4 years for males and 2 years for females, respectively, projected generationally using 50% of MP-2020.
Disabled retiree mortality rate:	PUB-2010 Disabled Retiree Amount Weighted mortality table set forward 4 years for males and 2 years for females, respectively, using 130% of the rates before age 80 and projected generationally from 2010 using 50% of mortality improvement scale MP-2020.

Discount Rate: The discount rate used to measure the total OPEB liability was 2.26% for the year ended September 30, 2022. The projection of cash flows used to determine the discount rate assumed that contributions will be made in accordance with the plan's funding policy. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be insufficient to make all projected benefits of current plan members. Therefore, the municipal bond rate at each year end was applied to all periods to determine the total OPEB liability.

Expected Remaining Service Lives: Under GASB Statement No. 75, gains and losses that are deferred and amortized over future periods are presented as deferred inflows or gains, and deferred outflows or losses. Economic and demographic gains and losses and changes in the total pension liability due to changes in assumptions are recognized over a closed period equal to the average

Guam Housing Corporation
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Notes to Financial Statements, continued

7. Employee Benefits, continued

OPEB Plan, continued

OPEB liabilities, OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB

expected remaining services lives of all covered active and inactive members, determined as of the beginning of the measurement period. The amortization period was calculated at 5.66 years. The amortization period is calculated as the weighted average of expected remaining service lives assuming zero years for all inactive members.

As of September 30, 2022, the Corporation reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 670,684	\$(408,829)
Corporation's contributions subsequent to the measurement date	120,263	---
Changes in assumption	898,620	(1,082,174)
Changes in proportion and difference between the Corporation's contributions and proportionate share of contributions	<u>78,236</u>	<u>(1,412,650)</u>
	<u>\$ 1,767,803</u>	<u>\$(2,903,653)</u>

Deferred outflows of resources at September 30, 2022, resulting from the Corporation's employer contributions totaled \$120,263.

Guam Housing Corporation
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Notes to Financial Statements, continued

7. Employee Benefits, continued

OPEB Plan, continued

OPEB Liabilities, OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB, continued

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2023	\$(903,893)
2024	(335,858)
2025	144,619
2026	58,175
2027	<u>104,616</u>
	\$(<u>932,341</u>)

In the table above, positive amounts will increase OPEB expense, while negative amounts will decrease pension OPEB.

Sensitivity analysis: The following presents the total 2022 OPEB liability calculated using a discount rate that is one percentage point (1.0%) lower or 1% higher than the current rate:

	1% Decrease <u>1.26%</u>	Current Discount <u>2.26%</u>	1% Increase <u>3.26%</u>
Total OPEB liability	<u>\$8,850,144</u>	<u>\$7,696,588</u>	<u>\$6,378,018</u>

The following presents the total 2022 OPEB liability calculated using a healthcare cost trend rate that is one percentage point (1.0%) lower or 1% higher than the current rate:

	<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
Total OPEB liability	<u>\$6,187,060</u>	<u>\$7,696,588</u>	<u>\$9,157,902</u>

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, 2022, The Corporation has accrued an estimated liability of \$67,728, which is reported as a component of accrued compensated absences in the accompanying statement of net position. However, this amount is an estimate and actual payout could differ from those estimates.

Guam Housing Corporation
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Notes to Financial Statements, continued

8. Commitments and Contingencies

Commitments

As of September 30, 2022, the Corporation has loan commitments totaling \$2,204,205.

The Corporation leases office space from the Guam Economic Development Authority (GEDA) which expires on February 28, 2023. The Corporation is currently renegotiating to renew its lease agreement. The lease agreement calls for a monthly rental payment of \$9,143. The Corporation also leases a photo copier machine for use of administrative and operation related activities. The lease contract was effective on August 30, 2022 for a 5-year period and requires a monthly minimum payment of \$58.

For the year ended September 30, 2022, the measurement of the lease asset, net of accumulated amortization of \$42,988, amounts to \$2,943.

The future lease payments are as follows:

Year ending September 30,

2023	\$46,410
2024	694
2025	694
2026	694
2027	<u>578</u>
	<u>\$49,070</u>

Litigation

The Corporation is involved in certain litigation and management is of the opinion that liabilities of a material nature will not be realized.

The Corporation has claims under legal procedures for approximately \$206,680 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 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. This amount is primarily invested in time certificate of deposits with original maturities greater than 90 days. Excess of losses over the fund is recognized in the year realized. At September 30, 2022, the self-insurance fund totaled \$956,369 as reported in the accompanying statement of net position.

Guam Housing Corporation
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Notes to Financial Statements, continued

9. Long-Term Liabilities

A summary of changes in long-term liabilities during fiscal year 2022 is as follows:

	October 1, 2021	Increases	Decreases	September 30, 2022	Current	Noncurrent
Accrued compensated absences	\$ 225,725	\$ 133,408	\$ 128,104	\$ 231,029	\$ 103,248	\$ 127,781
Net pension liability	4,104,360	---	795,859	3,308,501	---	3,308,501
Lease liabilities	---	45,931	42,976	2,955	551	2,404
Total collective other postemployment benefit liability	6,918,351	778,237	---	7,696,588	---	7,696,588
Bonds payable	3,030,000	---	235,000	2,795,000	245,000	2,550,000
	<u>\$ 14,278,436</u>	<u>\$ 957,576</u>	<u>\$ 1,201,939</u>	<u>\$ 14,034,073</u>	<u>\$ 348,799</u>	<u>\$ 13,685,274</u>

Required Supplementary Information

Guam Housing Corporation
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Required Supplementary Information
Schedule of the Corporation's Proportionate Share of the Net Pension Liability
(Unaudited)

Defined Benefit Plan

Last 10 Fiscal Years*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Corporation's proportion of the net pension liability	0.23%	0.23%	0.24%	0.24%	0.23%	0.24%	0.24%	0.24%	0.26%
Corporation's proportionate share of the net pension liability	\$ 2,231,269	\$ 2,916,016	\$ 2,902,759	\$ 2,823,658	\$ 2,616,172	\$ 3,256,011	\$ 3,472,473	\$ 2,948,762	\$ 3,330,515
Corporation's covered-employee payroll	1,198,782	1,218,275	1,224,469	805,614	1,197,094	1,266,692	1,354,686	1,284,400	1,260,920
Corporation's proportionate share of the net pension liability as a percentage of its covered-employee payroll	186.13%	239.36%	237.02%	350.50%	218.54%	257.00%	256.00%	230.00%	264.00%
Plan fiduciary net position as percentage of total pension liability	70.14%	61.48%	62.25%	63.28%	60.63%	54.62%	52.32%	56.60%	53.94%

*This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

Guam Housing Corporation
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Required Supplementary Information
Schedule of the Corporation's Contributions
(Unaudited)

Defined Benefit Plan

Last 10 Fiscal Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 309,592	\$ 293,040	\$ 289,541	\$ 291,780	\$ 187,900	\$ 278,104	\$ 297,444	\$ 347,068	\$ 325,802	\$ 319,322
Contribution in relation to the contractually required contribution	<u>308,345</u>	<u>291,849</u>	<u>297,486</u>	<u>293,201</u>	<u>194,684</u>	<u>276,288</u>	<u>296,576</u>	<u>359,159</u>	<u>319,153</u>	<u>315,348</u>
Contribution excess (deficiency)	<u>\$(1,247)</u>	<u>\$(1,191)</u>	<u>\$ 7,945</u>	<u>\$ 1,421</u>	<u>\$ 6,784</u>	<u>\$(1,816)</u>	<u>\$(868)</u>	<u>\$ 12,091</u>	<u>\$(6,649)</u>	<u>\$(3,974)</u>
Corporation's covered-employee payroll	627,837	704,033	718,892	684,407	230,135	310,135	304,556	296,475	297,198	300,392
Contribution as a percentage of the covered-employee payroll	49.11%	41.45%	41.38%	42.84%	84.60%	89.09%	97.38%	121.14%	107.39%	104.98%

Guam Housing Corporation
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Required Supplementary Information
Schedule of the Corporation's Proportionate Share of the Collective Total Pension Liability
(Unaudited)

Ad Hoc COLA/Supplemental Annuity Plan for DB Participants

Last 10 Fiscal Years*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Corporation's proportionate share of the collective total pension liability	\$ 723,904	\$ 837,705	\$ 799,484	\$ 644,322	\$ 600,954	\$ 518,756	\$ 522,556
Corporation's proportion of the collective total pension liability	0.23%	0.26%	0.25%	0.22%	0.21%	0.23%	0.22%

The Corporation's share of contributions to the Ad Hoc COLA/SA Plan for DB participants is based on amounts specified in Guam legislation and is not based on a portion of payroll.

*This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

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

Required Supplementary Information
Schedule of the Corporation's Contributions
(Unaudited)

Ad Hoc COLA/Supplemental Annuity Plan for DB Participants

Last 10 Fiscal Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 54,952	\$ 54,952	\$ 59,280	\$ 54,981	\$ 57,400	\$ 53,879	\$ 54,078	\$ 54,198	\$ 51,198	\$ 40,278
Contribution in relation to the contractually required contribution	<u>54,952</u>	<u>54,952</u>	<u>59,280</u>	<u>55,191</u>	<u>57,190</u>	<u>53,879</u>	<u>54,078</u>	<u>54,198</u>	<u>51,198</u>	<u>40,278</u>
Contribution excess (deficiency)	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 210</u>	<u>\$ (210)</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>

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

Required Supplementary Information
Schedule of the Corporation's Proportionate Share of the Collective Total Pension Liability
(Unaudited)

Ad Hoc COLA Plan for DCRS Participants

Last 10 Fiscal Years*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Corporation's proportionate share of the collective total pension liability	\$ 353,328	\$ 350,369	\$ 194,852	\$ 157,980	\$ 227,627	\$ 260,379	\$ 173,951
	0.50%	0.53%	0.33%	0.32%	0.36%	0.42%	0.33%

*This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

Guam Housing Corporation
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Required Supplementary Information
Schedule of the Corporation's Contributions
(Unaudited)

Ad Hoc COLA Plan for DCRS Participants

Last 10 Fiscal Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 12,000	\$ 12,000	\$ 12,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 4,000	\$ 3,600	\$ 2,200
Contribution in relation to the contractually required contribution	<u>12,000</u>	<u>12,000</u>	<u>12,000</u>	<u>6,000</u>	<u>6,000</u>	<u>6,000</u>	<u>6,000</u>	<u>4,000</u>	<u>3,600</u>	<u>2,200</u>
Contribution excess (deficiency)	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>

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

Required Supplementary Information
Schedule of the Corporation's Proportionate Share
of the Collective Total Other Postemployment Benefit Liability
(Unaudited)

Last 10 Fiscal Years*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Corporation's proportion of the collective total other postemployment benefit liability	0.28%	0.27%	0.29%	0.30%	0.46%	0.47%	0.49%
Corporation's proportionate share of the collective total other postemployment benefit liability	\$ 7,696,588	\$ 6,918,351	\$ 7,429,975	\$ 5,676,959	\$ 11,223,930	\$ 11,881,411	\$ 10,443,665

*This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

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

Required Supplementary Information
Schedule of the Corporation's Contributions
(Unaudited)

Other Postemployment Benefit Plan

Last 10 Fiscal Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 120,263	\$ 85,460	\$ 117,770	\$ 157,591	\$ 164,294	\$ 172,595	\$ 172,046	\$ 166,763	\$ 114,056	\$ 121,439
Contribution in relation to the contractually required contribution	<u>120,263</u>	<u>85,460</u>	<u>117,770</u>	<u>157,591</u>	<u>164,294</u>	<u>172,595</u>	<u>172,046</u>	<u>166,763</u>	<u>114,056</u>	<u>121,439</u>
Contribution excess (deficiency)	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>

Guam Housing Corporation
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Note to Required Supplementary Information
(Unaudited)

Changes in Assumptions – Pension Plans

Amounts reported in 2021 actuarial valuation reflected an assumption related to administrative expenses to increase to \$6,565,000 per year.

Amounts reported in 2020 actuarial valuation reflected an assumption related to administrative expenses to decrease to \$6,439,000 per year.

Amounts reported in 2019 actuarial valuation reflected an assumption related to administrative expenses to decrease to \$6,860,000 per year.

Amounts reported in 2018 actuarial valuation reflected an assumption related to administrative expenses to increase to \$7,082,000 per year.

Amounts reported in the 2017 actuarial valuation reflect a change in assumption of payroll growth to 2.75% rather than 3%. The mortality, retirement age and disability assumption were changed to more closely reflect actual experience. Assumption related to administrative expense reflected an increase to \$6,344,000 per year and a revised allocation to the various pension plans to reflect actual experience.

Amounts reported in 2016 actuarial valuation reflect a change in assumption of administrative expenses to \$6,078,000 per year rather than \$5,806,000.

Amounts reported in 2015 actuarial valuation reflect a change in assumption of payroll growth to 3% rather than 3.5% which was used to determine amounts reported prior to 2015. Amounts reported in 2014 reflect an adjustment of the expectations of salary increases, disability and retirement age to more closely reflect actual experience. The amounts reported in the 2011 actuarial valuation reflect an expectation of retired life mortality based on the RP-2000 Mortality Table rather than the 1994 U.S. Uninsured Pensioners Table, which was used to determine amounts reported prior to 2011. Amounts reported in 2011 also reflect a change in assumption on valuation of assets to a 3-year phase in for gains/losses relative to interest rate assumption from market value, with fixed income investments at amortized costs which was used to determine amounts reported prior to 2011.

Supplementary Information

Guam Housing Corporation
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Combining Statement of Net Position

September 30, 2022

	Housing	Rental	Combined Total
Assets			
Current assets:			
Unrestricted assets:			
Cash and cash equivalents	\$ 3,651,738	\$ 795,456	\$ 4,447,194
Time certificate of deposits	1,428,000	---	1,428,000
Self-insurance fund	---	956,369	956,369
Loans receivable, net	919,574	---	919,574
Tenants receivable, net	12,956	11,878	24,834
Accrued interest receivable	20,083	1,185	21,268
Prepaid expenses and other	1,919	57,691	59,610
Foreclosed assets held for resale	102,082	---	102,082
Interdivision	1,092,581	(1,092,581)	---
Total unrestricted assets	7,228,933	729,998	7,958,931
Restricted assets:			
Cash and cash equivalents	3,303,007	1,929,069	5,232,076
Time certificate of deposits	289,000	---	289,000
Investments	619,141	---	619,141
Total restricted assets	4,211,148	1,929,069	6,140,217
Total current assets	11,440,081	2,659,067	14,099,148
Loans receivable, net	21,048,941	---	21,048,941
Depreciable capital assets	5,746	3,589,640	3,595,386
Non-depreciable capital assets	---	2,934,227	2,934,227
Total assets	32,494,768	9,182,934	41,677,702
Deferred outflows of resources			
Pension	361,315	273,246	634,561
Other postemployment benefits	925,297	842,506	1,767,803
Total deferred outflow of resources	1,286,612	1,115,752	2,402,364
Total assets and deferred outflows of resources	33,781,380	10,298,686	44,080,066

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

Combining Statement of Net Position, continued

September 30, 2022

	<u>Housing</u>	<u>Rental</u>	<u>Combined Total</u>
Liabilities			
Current liabilities:			
Payable from unrestricted assets:			
Accounts payable and accrued expenses	\$ 64,398	\$ 43,199	\$ 107,597
Current portion of accrued compensated absences	60,971	42,277	103,248
Unearned revenue	55,213	10,063	65,276
Lease liabilities	---	551	551
Due to fiduciary fund	<u>8,175</u>	<u>---</u>	<u>8,175</u>
Total payable from unrestricted assets	<u>188,757</u>	<u>96,090</u>	<u>284,847</u>
Payable from restricted assets:			
Deferred revenue	---	1,547,000	1,547,000
Bonds payable	245,000	---	245,000
Accrued interest payable	13,393	---	13,393
Security deposits	---	49,820	49,820
Deposits by borrowers - insurance premiums and real estate taxes	664,865	---	664,865
Rebate liability	<u>87,314</u>	<u>---</u>	<u>87,314</u>
Total payable from restricted assets	<u>1,010,572</u>	<u>1,596,820</u>	<u>2,607,392</u>
Total current liabilities	<u>1,199,329</u>	<u>1,692,910</u>	<u>2,892,239</u>
Non-current liabilities:			
Payable from unrestricted assets:			
Non-current portion of accrued compensated absences	54,633	73,148	127,781
Net pension liability	1,716,781	1,591,720	3,308,501
Lease liabilities	---	2,404	2,404
Total collective other postemployment benefit liability	3,993,497	3,703,091	7,696,588
Payable from restricted assets - Bonds payable	<u>2,550,000</u>	<u>---</u>	<u>2,550,000</u>
Total non-current liabilities	<u>8,314,911</u>	<u>5,370,363</u>	<u>13,685,274</u>
Total liabilities	<u>9,514,240</u>	<u>7,063,273</u>	<u>16,577,513</u>
Deferred inflows of resources			
Pension	249,177	231,025	480,202
Other postemployment benefits	<u>1,506,607</u>	<u>1,397,046</u>	<u>2,903,653</u>
Total deferred inflow of resources	<u>1,755,784</u>	<u>1,628,071</u>	<u>3,383,855</u>
Net position			
Net investment in capital assets	5,746	6,523,867	6,529,613
Restricted for lending activities	2,927,142	332,249	3,259,391
Unrestricted	<u>19,578,468</u>	<u>(5,248,774)</u>	<u>14,329,694</u>
Total net position	<u>\$ 22,511,356</u>	<u>\$ 1,607,342</u>	<u>\$ 24,118,698</u>

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

Year ended September 30, 2022

	<u>Housing</u>	<u>Rental</u>	<u>Combined Total</u>
Operating revenues:			
Interest income on loans receivable	\$ 1,190,789	\$ ---	\$ 1,190,789
Rental income	---	821,831	821,831
Miscellaneous revenues	147,338	13,724	161,062
Interest income on deposits	<u>10,239</u>	<u>3,459</u>	<u>13,698</u>
Total operating revenues	<u>1,348,366</u>	<u>839,014</u>	<u>2,187,380</u>
Operating expenses:			
Salaries	690,113	545,266	1,235,379
Retirement and Medicare contributions	49,596	146,376	195,972
Interest expense on borrowings	169,793	---	169,793
Depreciation and amortization	1,532	149,201	150,733
Employee benefits, other than retirement	60,041	60,295	120,336
Professional services	80,941	21,578	102,519
Rent	69,312	---	69,312
Contractual services	32,249	34,369	66,618
Other	27,976	30,486	58,462
Maintenance	---	48,049	48,049
Amortization of right-of use asset	42,596	392	42,988
Loss on investments held by bond trustees	25,034	---	25,034
Bond trustee fees	16,000	---	16,000
Director fees	2,300	---	2,300
Interest expense - lease liability	743	31	774
Retiree supplemental and health benefits	<u>(354,080)</u>	<u>(126,345)</u>	<u>(480,425)</u>
Total operating expenses	<u>914,146</u>	<u>909,698</u>	<u>1,823,844</u>
Increase (decrease) in net position	434,220	(70,684)	363,536
Net position at beginning of year, restated	<u>22,077,136</u>	<u>1,678,026</u>	<u>23,755,162</u>
Net position at end of year	<u>\$ 22,511,356</u>	<u>\$ 1,607,342</u>	<u>\$ 24,118,698</u>

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

Salaries, Wages and Benefits

	<u>2022</u>
Salaries, wages and benefits:	
Salaries	\$ 1,235,379
Retirement and Medicare contributions	195,972
Employee benefits other than retirement	120,336
Retiree supplemental and health benefits	(<u>480,425</u>)
Total salaries, wages and benefits	\$ <u><u>1,071,262</u></u>
Employees at end of year	23

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

First-time Homeowner Assistance Program

Year ended September 30, 2022

	Number of Grantees	Balance at September 30, 2021	Year ended September 30, 2022				Balance at September 30, 2022
			Total Fund Allocated	Total Amount Disbursed	Interest Earned	Administration Fee	
Guam Housing Corporation	---	\$ 1,510	\$ ---	\$ ---	\$ ---	\$ ---	\$ 1,510
Department of Administration	69	143,539	813,096	(636,618)	1,067	(63,662)	45,423
Total	69	\$ 145,049	\$ 813,096	\$(636,618)	\$ 1,067	\$(63,662)	\$ 304,355

Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Management and the Board of Directors
Guam Housing Corporation

We have audited, 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, the financial statements of the Guam Housing Corporation (the Corporation), which comprise the statement of net position as of September 30, 2022, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 18, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ernst + Young LLP

August 18, 2023